

Global Economic History in 2.5 Hours

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Debt, Empires, and Oligarchs - Dr. Michael Hudson (Part 1/2)



Youtube: <https://youtu.be/XyybzneSoTo> (part 1)
and <https://youtu.be/pSBvXCwUQYQ> (part 2)

Dr. Michael Hudson is a professor of Economics at the University of Missouri Kansas City, political consultant, commentator, and journalist. His career has focused on the study of debt, both external and internal, with an eye on what happens when the exponentially growing debts of a society outstrip the profits from the real economy. In part 1 (<https://youtu.be/XyybzneSoTo>) of this conversation, we talk about GDP as a false marker of prosperity, the growing influence of the rentier class, fantasies of joining the one percent, and why there's never going to be another debt jubilee, even if it means the whole system has to fall apart. We continue the conversation about possible solutions in part 2 (<https://youtu.be/pSBvXCwUQYQ>), we talk about modern monetary theory, the path towards debt forgiveness, and the foundational rules of a more perfect society that is not getting devoured by the rentier class. In the meantime, support the podcast by checking out Dr. Hudson's books: <https://amzn.to/44F6J7n>

Michael Hudson

Hi, I'm Michael Hudson. I've been an academic Professor of Economics since 1969. But before that I worked on Wall Street. And after that I worked on Wall Street. So, most of my experience has not been in academia, except for three

years at the New School for Social Research teaching international trade theory. And then for over a decade at the University of Missouri at Kansas City, which is the center of modern monetary theory, dealing with money and credit.

I've worked for numerous think tanks and organizations putting together alternative views of the gross national product. But most of my work has actually been for governments – for the US government, the Canadian government on international finance, the Latvian government on tax policy, Chinese government on general history of economic thought. I was a professor at Peking University, which is sort of the Harvard University of China, for a number of years. And at Hong Kong, at the university there.

So, the common denominator of what I've been doing is that I think academic economics is on the wrong track. As soon as I'd begun to teach international trade theory at the New School in 1969, I found everything that it said was wrong. And everything that it forecasts for how free trade and an absence of a tariff protection – especially following IMF austerity programs – would help grow.

I had numerous visits to Washington with the White House, the Treasury. They all said that the way to grow is to cut labor's wages, cut labor's living standards, and essentially force governments to sell off their raw materials, resources, and lands to Finance.

And the universal message of almost all of the Wall Street people I worked with, and of academia, was that the way to get rich is to financialize the economy. You'll get rich by going into debt, and using debt to buy houses, real estate, stocks and bonds and increase their prices. And the whole idea of getting rich was all about not producing more goods and services, but to increase asset prices: real estate, stocks and bonds. And you increase them by going into debt. And the more debt the economy had, the less money it had for profit.

So, for the last 10 years in the United States, 92% of the profits of the Fortune 500 companies have been used to buy stocks – their own stock buyback programs – or to pay out as dividends. Only 8% is used on new investment.

And the main message of mainstream economics is you want to offshore labor. You want to deindustrialize. You want a post-industrial society. If you could just move as much of America's industry as possible to China and to Asia, there'll be more profits for the firms, and that will increase the stock prices, and the economy is going to get richer.

Obviously, it doesn't work. This is the advice that's given to global south countries to develop. It's the basis of IMF's so-called "stabilization programs."

I found that there's a kind of Orwellian vocabulary in academic economics, which is really why I stopped teaching regularly. And the vocabulary essentially turns everything inside out.

My own background in studying economics was classical economics: Adam Smith, John Stuart Mill, all sort of culminating in Karl Marx and the socialists. Because Marx is the last free market economist. He was the last economist that said that industrial capitalism is revolutionary. The function of industrial capitalism, and of all of the British political economy, that he described in the 19th century, was to free markets from landlords – the hereditary landlord class that had inherited the land in England and Europe. To free economies from predatory banking and to use banking to actually finance industrial production. And to free economies from monopolies.

That was a common denominator of all of the classical economists. And Marx said, "This is this is great! The role of markets under industrial capitalism is to get rid of economic rents." To get rid of land rent, and monopoly rent, and interest charges that are not productive at all. So that you want to minimize the cost of living. You want to minimize the cost of doing business – because if employers don't have to pay labor more and more money to pay for housing, for healthcare, for education, then they can out-compete with other countries.

Well, to make a long story short, I found that the policies of the United States today are deliberately deindustrializing. And in fact, they've been deindustrializing to such an extent that even if the United States were to try to reindustrialize and bring labor back home, it would have to raise prices by about 500%, living standards would have to fall by about 30%. And that's because if you

were to give American labor all of their clothes, all of their transportation, all of their food, everything physical for nothing, American labor still could not compete. Because its housing costs, its health care costs, its monopoly rents, its debt service – all of these charges price American labor out of the market. None of this appears in classical economic theory.

Basically, the economic theory today is the reverse of what Adam Smith and John Stuart Mill and Ricardo and the whole 19th century looked at for how an economy should develop. The objective of the economy today is to maximize economic rent – it's what the economists of the 19th century called unearned income.

If you look at the gross national product accounts of the United States, they depict America is getting richer and richer when people have to pay higher rents. And richer and richer if you own a home and your housing price is inflated. In the national income and product accounts, they say that if a homeowner were to rent out his house to himself, what would he charge for the rent? Well, as rents go up, as if housing prices go up, GDP goes up.

One way to accelerate GDP is to fall behind in your credit card accounts. If you fall behind in your credit card payments, then your interest rates go up from 19% to a penalty rate of 29%. The GDP accounts say that that is providing “financial services,” and GDP goes up.

A little while ago on this very program, you had my colleague, Steve Keen, who feels the same way about economics, academic economics, the way that I do. And he was just in New York – we had a meeting two weeks ago, here in Forest Hills where I live. And he was telling me about how he had come down from Harvard where he had given a paper on global warming. And his adversary was William Nordhaus, who had said, ‘Well, there's nothing to worry about global warming. If global warming would go up two degrees, mass budding and everything, it would really only cut GDP by 0.2%.’

And I told Steve, I thought his response, it should have been that actually global warming is going to help accelerate GDP. It will add to GDP. Because for one thing, there's going to be much more flooding. And you're going to have to

rebuild houses again and again and again that are destroyed by extreme weather. The hurricanes, a lot of rebuilding there. A lot of flooding, a lot of reconstruction.

Disease actually has been helping GDP quite a bit because you have to now pay 18% of America's GDP for the Obamacare, for medical care – much higher than the proportion of any other country. All of these things are considered GDP.

Robbery helps the GDP go up and burglary because people have to replace what's taken. So, the GDP is a travesty of any measure of welfare or size. And it's a travesty of comparing a post-industrial economy like the United States – where the objective is not to produce anything at all, but the import it all – and economies that actually produce goods and services.

So basically, my books are about the contrast between what academic economics says and what is reality. And all that means, and I think the reason you invited me on this show, is because economics is not really a science as it's taught. It's a lobbying effort by the finance, insurance, and the real estate sector: the FIRE sector. It's a lobbying effort by the parts of the economy that don't produce goods and services, that only collect income without playing any productive role at all. Empty prices – that is price without any underlying value. And that is being promoted as economic growth.

And basically, it's as if economics is like a criminal case in court where you have two opposing attorneys. The 19th century attorneys were prosecutors for the landlord class. They said, "Why should we have to pay the heirs of the warlords who conquered England and France to collect ground rents without producing anything? What possible function do they play? Why should we have to pay banks money for creating interest for creating credit that actually the governments can simply create their own money, or at least create credit for a productive purpose? And why do we permit monopolies, most of which were created by the government to sell off to creditors because it couldn't afford to pay them their debt, why do we have to do anything of that? We don't need it. Let's get rid of the rentier sector." The rentier sector being landlords, and bankers and monopolists.

Well, by the end of the 19th century, the rentiers fought back. And they developed what a defense attorney would do in a trial. They said, “There’s a whole different reality. There is no such thing as unearned income. There is no such thing as economic rent. Everybody deserves what they have. The landlord produces a valuable service in renting out the land and the housing and deciding who to rent to. And the bankers make a wonderful service when they charge interest. And especially when they charge a penalty fee because that helps make people pay their debts on time and that’s essential for productivity. So of course, we charge penalty fees as part of the gross domestic product. And monopolies are also part of the GDP, because after all, the monopolist is simply creating an orderly market.”

So, the problem is that instead of economic students getting both sides of the prosecution and the defense of the rentier economy, they’re only getting one side of the picture. They’re getting the defense of the rentiers, not the classical economics. And that’s why in graduate economic courses they no longer teach the history of economic thought. They no longer teach economic history. Because if you had the history of economic thought, you’d know that contrary to what Margaret Thatcher said, there is an alternative, that things don’t have to be this way.

There is a reason why China is growing so rapidly, and the American economy is being squeezed tighter and tighter. And that’s because it’s basically using its revenue to create new means of production and create a broader environment.

It’s true that it provides education freely, instead of charging \$50,000 a year, which is what people have to pay in New York. But if you would say what if we credit China with every person with a degree of having paid \$50,000 a year, obviously, that would be much bigger.

It’s true that the Chinese people do not have to pay \$4,500 a month rent, which is the average rent here in New York City. Does that really make them poor? Or does paying the \$4,500 a month rent that increases America’s GDP, actually turn out to be an economic burden?

I think orthodox neoliberal economics gets it wrong. And what is really an economic burden, or what classical economists called transfer payments, is to them a benefit because they're the beneficiaries. They're the landlords. They're the bankers that lend money to landlords to buy buildings to pay the rent as interest. We're in a kind of a rentier society where the actual production is viewed merely as overhead, instead of the rentiers, the rent recipients, being an overhead on the productive economy.

So, you're having an inside out perspective in all of this. I don't know how to say it more clearly than that. But you'll ask questions that'll bring it out, no doubt.

Michael Shilo DeLay

I know you have some solutions in mind as well and before we get to those, I was hoping we could try to understand what is failing in the present sense. Because the idea that these firms are profiting and growing, and the stock market's climbing, and the GDP is on track, doesn't seem to work. That's the claim. And the reason for that is that these benefits of the firms don't actually trickle down to the laborers. Is that correct?

Michael Hudson

But that's working! Yes, that's working if you're a stockholder, and a billionaire. If you're one of the 1%, it's working just fine. The question is who is the economy going to be run for – the 1% or the 99%?

So, you could say the economy is working just fine for the 1%. Which is why it's so bizarre to hear President Biden's team come out last week and say, "Well, we're going to win the election next year on Bidenomics, of reindustrializing the economy." Well, how on earth are you going to reindustrialize the economy if you have to pay rents, Obamacare, and monopoly prices, and all of your credit card rates? Can't be done.

Anastasia Bendebury

I mean I think that there's also something else which is that people want to become part of this rentier class, right? Because it's a satisfying thing to be able

to have a property that pays for itself, and then pays for you to be able to live. And you don't have to deal with the factory floor, with a manager, with all of these different things that make it difficult or sometimes undignified to live, right?

The idea that somebody is stuck in a really unpleasant work situation is part and parcel of the myth of work that we tell, right? So, if you have to go work for somebody else, it takes away some of your freedoms inherently. And so the dream, and you see this all the time, people constantly sell courses for this on the internet. You know, how to become self-employed. How to generate passive income, where you figure out how to set something up, and it just runs in the background, and you're able to take all of the profits and party. And it's hard to fault people for wanting that because working is hard.

Michael Hudson

Well, you're right.

Michael Shilo DeLay

Unless you love your work, right? I feel like most people, I mean, myself included for most of my life, I was working a job I didn't really want to be working. And it's very very difficult to align what you want to be doing with your work for most people because the paths that are laid out for them when they're young aren't appealing. People aren't able to find an alignment between their passions and their labor.

Anastasia Bendebury

Well, this is actually really interesting. I'm reading a book right now about the life and death of the Great Lakes. It's by Dan Egan. It's really interesting. He talks about the ecological crisis that occurred as a consequence of the St. Lawrence Seaway and bringing ocean going vessels into the Great Lakes. And one of the things that he talks about, which is kind of peripheral to the main story, is the job of a wildlife biologist in the fisheries department.

And when you go into biology and you study biology, there's this idea that what you're going to be doing is you're going to be studying life, and you're going to be able to understand something fundamental about nature. And in reality, what it is, is that you go work for the wildlife department and you're just working at the fish hatchery. Or you're doing this endless drudgery of creating a recreational environment for people to be able to fish coho salmon on the Great Lakes. And so, the desire is not aligned with the reality of what you must end up doing. And I think it's very frustrating.

Michael Hudson

I want to go back to how you began to discuss your comments saying that of course people want to get a property of their own. The property I think you were talking about is a home of their own. They all want their basic means of self-support, and the key to self-support is a home.

The trick that the rentier classes has played is to try to convince wage earners that instead of thinking of themselves as a wage earner, once they have a home, they are property owners and landlords in miniature. Even though they're landlords to themselves – and the GDP treats them as a landlord to themselves. They really don't rent out the apartment. They don't live on rent. They pay their mortgage in that, instead of rent.

And when I grew up, houses were priced at — basically, the mortgage charge every month was about the same as paying rent to a landlord. So of course, people, white people, wanted to be able to have their own home. Black people were redlined, which is why you have so much inequality today. Because the rising out of the wage-earning class into the home owning class, not to mention property owner class, was very specifically restricted to white people as official bank policy. So....

Michael Shilo DeLay

....that's just real quick. So, people who haven't heard that term redlining – it means drawing up the different jurisdictions by which banks will give loans to own a house. Is there something like that?

Michael Hudson

Yes, banks would not lend money, either to black homebuyers who wanted to get a mortgage, or they wouldn't lend money in neighborhoods that were primarily black. For instance, where I lived on the Lower East Side of New York City for many years. That racism is one of the major factors that has created a dual economy in the United States.

But to get back to what I was saying about homes. Some families in the 1950s found that you could pay one quarter of your income and get a mortgage to buy a home. That a quarter of the your income would completely make the home yours after 30 years. Which was about the average working life at that time. So, everybody could have their own home.

And some people thought well, okay, this is the criterion of what they call middle class. Well, really, there's no such thing as the middle class – either you're a wage earner, or an industrialist, or an entrepreneur, or a finance capitalist, or, like most of the 1%, you inherit your money in a financial trust fund from the parents.

But some families in the 1960s, 1970s thought they could make even more money from their wages if they could buy an apartment and rent it out. And they could live on their homes. And other families thought, "Well, my pension fund puts money in the stock market. Now that my housing prices have gone way up and I don't have to pay any more on my mortgage, I can buy stocks, too." So, you had wage earners beginning to think of themselves as landlords and finance capitalists in miniature. And they lost what used to be called class consciousness.

And one effect of this was that when the landlord class or the banks said, "Let's cut back real estate taxes. Let's cut back taxes and then it'll be easy for you homeowners to have even more money." Well, really the homeowners were used as frontman for the big real estate investors, and for the big banks, who lent the money to the real estate investors.

And so, the homeowners, like in California under Proposition 13, were tricked into saying, "Okay, let's freeze the taxes not only on homeowners, but for the big

real estate developers.” Well, the result is that housing prices have soared, along with the prosperity and the growing population of California, but that tax revenues have not gone up at all in California. So, by the time Ronald Reagan came in, he said, “Well, we’ve cut all the real estate taxes, let’s get rid of education. Let’s get rid of all of the social spending. We can’t afford it.” And the homeowners, the people who actually had to work for a wage in California, they found their social services cut and everything. Because what they thought was simply benefiting themselves, the vast majority was given to commercial property owners who didn’t sell the property. They just would transfer the ownership papers, or some similar accounting fiction. So, the result is that the small wage earners wanting to rise into the middle class voted for policies that benefit the 1%, thinking, “Well, maybe someday I’ll rise into the 1%,” not realizing how different it was.

Anastasia Bendebury

That’s exactly what I was going to say, which is that there’s something about America that creates the illusion that everyone can become a billionaire. Where there’s this new massive fantasy that perhaps one day I will be the person that benefits directly from this. And so, people almost see themselves as...

Michael Shilo DeLay

... if I just work hard enough, right? If I just like, jump into this game as hard as I can.

Michael Hudson

Yep, and there’s no way that they can. And when George McGovern was running for President, and I think 1968, he tried to explain this and he was booed by the labor union he was talking to. And he commented, “They must think they’re gonna win a lottery.” Well, yes, they think they’ll win a lottery.

Michael Shilo DeLay

Reagan also had this other component to his policy which was that these benefits to the larger financial institutions would somehow trickle down, right? That they

would inject some life into the working class, and so forth. And the sad part is that it seems like the ramifications of those decisions take many years to show up. And so it wasn't immediately apparent that it was a failed experiment until you know, somebody else was in office. And then of course, that person gets blamed for the economic failure.

Michael Hudson

Well, after World War II, housing was so inexpensive that the only way that houses could be sold was to have somebody take out a mortgage loan and buy a house. And the bankers didn't want to lose money on mortgage loans – [and didn't do] what they did under the bank frauds under the Bush administration – the bankers wanted to make loans that could be repaid. And so, they set the mortgage payments, as I said, as one quarter of the income. You had to put 10% down and the mortgage couldn't absorb more than that. So that put a cap on how much the house could be sold for.

What people didn't realize was that when the taxes on land were cut, the actual housing prices continued to go up. There is always going to be rent of location. Housing prices are going to go up if you live near a subway, or a park, or a school.

Today, just before this show, on the New York City News, they said New York was going to spend \$4 billion by extending the Second Avenue subway from 96th Street to 125th Street. This is going to make landlords all along the route richer. They said they're going to have to raise fares for people. And they can't afford to fix the subway signals here in Queens. But that they're going to borrow the money, run into debt, they're going to have to raise funds somehow. And they didn't have to pay a penny for this.

They spent, I think, \$8 billion on extending the Second Avenue subway, maybe five years ago. They didn't have to spend a penny on it. Because all along the subway routes, once you had a subway going, real estate prices, home prices, rents, went way up by I think \$12 billion was the estimate. They could have recovered it. All New York City had to do was tax the free lunch. You make a public investment, you increase the value of property, and that's usually what increases the value of public investment. And so, you recapture the cost of this

public improvement by taxing back the land along the route with a land price tax. They didn't do it. They left all of the benefits of this public spending to the landlords [so they could] charge higher rents, or to the property owners, who then could turn around and sell their buildings for a huge free lunch gain.

And because the whole logic of Adam Smith, John Stuart Mill, Marx in the Communist Manifesto, the first thing, all of the free market economists of the 19th century said, you have to collect the land rent in order for it not to go to the landlord class or the bankers, who want to collect the rents as interest rates. They don't do that today. That's part of the backwardness of the of the economic theory that says look at how much richer we're making the economy by making the 1% richer. And the 1% is getting richer by charging more money to the 99%. By paying less taxes and giving the government less money. And by blocking the government from simply creating the money, insisting that the government borrows from the 1% instead of just printing its own money, which is what it does anyway, when it borrows from the 1%.

So yeah, the whole model that people are told of how economies work is science fiction. I don't think economics should be taught as a social science or anywhere in the sciences – it should be taught in the literature departments. It's science fiction about a parallel universe, about how a completely different world would work with a completely different kind of gravity and economics. It doesn't describe reality at all. It's a travesty of reality. And the students, and the public, are not even exposed to the kind of economic reality that put industrial capitalism in motion to begin with during its great takeoff.

And you're right, people did benefit at the takeoff. And after World War II, the way to rise into the middle class and get rich was indeed to go into debt and buy a house. But things began to change after the Vietnam War and you had a huge falsification of economics. You had junk economics replace the classical economics.

Anastasia Bendebury

Well, with the real estate industry, it seems a little bit strange to me because they're one of the largest lobbying groups in the country. I remember looking this

up, they're after the pharmaceutical industry and the Chamber of Commerce. And it seems crazy that the way that real estate works is that there is a person brokering the deal on both ends that wants to maximize the price at which the exchange occurs. And to me, that seems like the most obvious possible corruption of the system because how can you have somebody who's brokering a deal who directly benefits by maximizing the cost?

Michael Hudson

Even if they weren't a broker, just if there were an auction without a broker. If the government would have an auction, you're still going to have real estate prices going up because some locations are more desirable than others. Even in a society that doesn't actually pay rents.

One American property assessor that I know went to Russia in 1991 right after the Soviet Union fell apart. And he was trying to explain to the Mayor of St. Petersburg, and his assistant, Vladimir Putin, how to assess rents. And he was trying to say, "Well, you're going to have to raise money to finance the St. Petersburg government. How are you going to decide that some rents are more important than the others?"

And at the time American investors were hoping to buy right across the Moscow River. There was the red chocolate factory, and they were going to tear it down and gentrify it. They were going to tear down the GUM department store and gentrify it.

So, he took the Mayor of St. Petersburg down the street. And it was in the fall, and he noticed, "See there are stores on both sides of the street. They're both selling things. You'll notice that everybody's walking on the sunny side of the street. The sunny side of the street makes that side more attractive to people. And certainly to the stores because if people are walking on that side of the street, they're more likely to go into the store and buy something. So even though the rent is charged, or the rent is provided, or nobody's actually paying a rent or owning this yet, some property is going to be more valuable than others simply because of its location."

And the Mayor of St. Petersburg said, “Well, how do we make – you know, since we don’t have a real estate market yet – how do we make this?” And so, my appraiser friend said, “Well, here’s a land map of Boston and you’ll find ups and downs and ups and downs. And where the high land rent occurs, is near the subway stop. Then they go down in between a subway stop. Here’s another subway stop – up they go. And you will take that map of how people value land for Boston and we’ll superimpose it on St. Petersburg. And we can see around the St. Petersburg stops around here’s where the Neva River is – that’s going to be a prime property. Here are more other properties. So even if people didn’t pay rent, there is such a thing as rent of location.”

And I gave three lectures before the Russia Duma. I was brought over along with other Americans to try to convince them to finance their post-Soviet society by doing what the classical economists wanted to do. But they didn’t give me \$500 million which is what it would have cost to bribe the government officials to do something completely different. The insiders ended up destroying the Russian economy under Yeltsin by bribing corrupt officials and putting in their client oligarchy.

So not only did nobody take my advice, and those of my American economists friends who went over. The Duma member who brought us over, Vyachislav Zvolinsky, was maneuvered out of the election campaign. The corrupt neoliberals that the National Endowment for Democracy and the CIA sent over made sure that any official that wanted to help Russia would be removed from the scene. They wanted to put in people who just wanted to make money themselves by wrecking the Russian economy under Yeltsin. Which is why we’re seeing the tension between Russia and NATO that you’re seeing today.

Michael Shilo DeLay

How did the CIA and the governments of the people end up not working for the people?

Anastasia Bendebury

You mean in the United States?

Michael Shilo DeLay

Yeah, say in the United States?

Michael Hudson

That's a characteristic of democracy ever since Greece and Rome. Democracies, as Aristotle said, turn into oligarchies. And the oligarchs, turn over. And Aristotle said, everybody calls themselves a democracy, but in reality they're oligarchies, because some people get richer and richer, and they use their money to buy control of the political process.

And in America, of course, the Supreme Court's 2010 ruling that Citizens United, put essentially political positions up for grabs. And if you want to be head of a House or a Senate economic committee, the head of the committee has to agree to pay a few \$100,000 to the Democratic Party, and I assume that Republican Party leadership, so that they can buy the position. So, the positions in a democracy are actually sold to the oligarchy, which also controls the Supreme Court.

Anastasia Bendebury

Hold on. Can you elaborate on that payment scheme?

Michael Hudson

On what?

Anastasia Bendebury

Well, you said that in order to be the head of a committee, you have to pay hundreds of thousands of dollars?

Michael Hudson

Yes. Nancy Pelosi said that the way they decide who to put the head of every committee was the Congress people will say, "I want to join this committee or that committee." And to be the head, you have to raise a given amount of money

from your campaign contributors. So, the congressman or woman who can raise the highest amount of money from their campaign contributors gets to be head of the committee.

Well, imagine what politician are the real estate interests, the banking interests, and the 1% going to give their money to – they're going to give the money to the people who represent their interests. They're going to get a puppet, someone like President Biden. Who basically is the senator from the credit card company state, Delaware – which is where most American corporations are incorporated because of their pro-corporate special privileges that they give.

Or the bankers would back somebody who they say, “We want somebody who can get the votes and get elected, but who's gonna double cross the voters and represent us against the voters.” And the most perfect demagogue they could find was, of course, President Obama. Who came in promising to help homeowners and to punish the crooked bankers who'd done the huge financial fraud that led to junk mortgages. And Obama had promised to roll back junk mortgages to the realistic housing value and the realistic value of rents. Well, instead, as soon as he got elected, he invited his leading campaign contributors and bankers to the White House and said, “Boys, I'm the only guy standing between you and the mob with the pitchforks.” That's who he called the mob with pitchforks – the people who had voted for him. And he was very explicit in this.

And he appointed probably the most pro-bank administrators that he possibly could. People like Tim Geithner, and the Attorney Generals that he put in. People who just would stiff the bank customers and make them pay these unrealistic mortgages. I described all of this in my book, *Killing the Host*, which is about this whole period.

So, a really successful demagogue is like a successful conman – the victim, the mark, doesn't even know that he's being cheated. And the people who voted for Obama, most of them think, “Gee, if only Michelle could run.” Maybe. They don't get how they were cheated. They don't get how Obama had made his whole reputation in Chicago by tearing down black neighborhoods and making fortunes

for the real estate investors, especially the Pritzkers, one of whom is now Governor of Illinois, by gentrifying all of the slums. And Obama just essentially worked with the real estate reverence, and the University of Chicago, and the politicians, and said to the low-income black families there, “Get off my land. I’m working for Pritzkers and their colleagues right now.” And somehow, that didn’t get into discussion during the election because not only the government, but the media, the newspapers, are owned and controlled by the 1%.

So, it’s very difficult when you have a population that is told a false picture of reality. And if they go to school, they’re taught a false picture of how the economy works. How on earth are you going to have the consciousness to say, “Now I understand how the economy works. I’m going to do things differently. I’m going to make the economy work for the people for the 99%.” How are you going to keep that knowledge from them? Well, the only way is by not teaching the history of economic thought, not teaching economic history at all. But teaching the science fiction parallel universe story that economists talk about when they act as lobbyists for the financial and the real estate sector.

Michael Shilo DeLay

I’m just curious. I know we can’t get inside of Obama’s head, but do you think that he made these moves consciously? Or do you think that he actually believed in the rhetoric that he was preaching?

Michael Hudson

When he invites people to the White House and says, “I’m the only guy standing between you and the mob with pitchforks,” I think he’s quite conscious.

And as a matter of fact, I know his professors at Harvard. I lectured at the Harvard Law School. And one of his professors, a black professor, came up to me afterwards and said, “You know, we never really trusted him because although he had a very prestigious job editing The Harvard Law Journal. Most editors of the Harvard Law Journal go on to become a clerk for one of the Supreme Court justices. That’s, you know, the highest postgraduate position you can get. But Obama didn’t do that. He became a community organizer.”

And the professor said to me, “What is a community organizer?” And then he made it very clear. He works with the real estate reverence. As I said, he worked with the landlords to basically gentrify neighborhoods because that’s where the money is. You want to look at a neighborhood that its city’s been starving its social services, it’s been impoverishing it, all of this, and yet it’s centrally located. In that good location, if only it can get the people out of there, you’re going to make a lot of money. Well, you had to be conscious of that.

And I also know that one of my good friends was in the law school class with Obama. And she said way back then he did, how to put it delicately, he did not speak in a friendly term about certain racial groups that later ended up voting for him.

Michael Shilo DeLay

Fascinating. I mean, you said a couple of things that I don’t want to gloss over. I want to talk about the ancient world a little bit, and because you said this problem is as old as democracy. Did the ancients suffer from the same catastrophic buildup of wealth in a tiny portion of population? And what was the consequences of that? Were there revolts? Like, there seems like there must be some incentive for the oligarchs, there must be some incentive in place for the oligarchs not to suffer rebellion. Or they want, they want the people to be happy, right? Because that’s productive for them...

Anastasia Bendebury

...because the mob with pitchforks is coming?

Michael Hudson

I don’t think so. No, they want the people to be unhappy. If you’re unhappy, you’re depressed and you’re absolutely crushed. Employers today want to make workers as unhappy as they can. They want to break their spirit. Forget about making them happy. If you make them happy, they’ll try to have the energy and the courage to make things better for themselves. That’s dangerous.

Anastasia Bendebury

I don't know. Okay, so I don't necessarily know that I agree with that. 100%. Because I look at something like the tech industry. And the tech industry is notorious for making their workers very happy.

Michael Hudson

Yes.

Anastasia Bendebury

And I think from everything that I've seen of people who work in the tech industry, it's actually quite effective because it creates a bubble in which you exist, where you show up to work, and it's this, you know, free food and treats and entertainment, and everything is very nice and fancy. And I definitely think that it dulls...

Michael Hudson

Absolutely.

Anastasia Bendebury

...the revolutionary edge.

Michael Hudson

That's right. That's more creative work. You're right for that. Not everybody can work in the tech industry.

But I want to get back to antiquity. There weren't always oligarchs. For 25 years I worked with Harvard University in the archaeology department and anthropology department. And we wrote the economic history of the ancient Near East, the Bronze Age from Sumur to Babylonia – from about 2500 BCE to the time of Jesus. And from the very beginning, my main concern for my entire working life has been to deal with the problems caused by debt. And I wanted to study debt cancellations in antiquity. And how did society create money? How did it deal with the problems that debt created?

So, we invited the leading experts of Sumur, old Babylonia, new Babylonia, Egypt, the surrounding regions. And basically, an oligarchy was prevented from developing because you had the rulers, they were called divine kingship at that time. Every Babylonian ruler did what every Sumerian ruler did – when they took the throne, they would cancel all personal debts and agrarian debts to start with a clean slate.

And why did they do this? Every ruler had the same problem. Here's the problem that debt caused in Babylonia and Mesopotamia. If you had a bad harvest, and you'd borrowed money during the year, and the harvest failed, you couldn't pay. Or if you got sick, you couldn't pay. And if you couldn't pay, then you would owe the tax collector, the palace official, money and that would be it paid interest, and you'd have to work, but there wasn't money.

People didn't use much money for the first 3000 years at all. Way down into medieval times, people only used money at harvest time when a payment. During the year most economies worked on credit. If you were in Babylonia, and you wanted to go out for a beer, you'd go to the ale woman's house, and she would mark out the price of the beer on a tab. Just like people today will go to a bar and put it on a tab to be paid at payday. Well, in ancient times the payday was the harvest.

And when the harvest was put in in any Babylonian city, you'd bring your harvest to the weighing house. And the grain and the crop that you would produce would be weighed out on the floor. And out of that crop you would take the money. You'd pay the debts that you'd run up during the crop year. You'd pay the ale lady, you'd pay the temple, you'd pay the palace. You'd pay everybody and then you'd keep what was left.

Well, what would happen if there's a crop failure? If you couldn't pay, then you'd have to work off your debt to the creditor on his land, not your own land, or someone else's. And if you had to work for the creditor, then you wouldn't be available to work at corvee labor. Corvee labor was the public labor to build temples, to build walls, to build palaces, to build public infrastructure. And this labor would not be available to the palace. And if you'd have to fight in the army.

Suppose that a neighboring town attacked you – well, you'd be working for the creditor, you wouldn't have the army. So, it was in the interest of rulers to cancel the debts. And they could do it because most debts were owed to themselves or the bureaucracy.

The ale lady got her beer from the temples on credit. And at the end of the year, she would get all of the crop that was weighed out from her customers. And she'd pay the crop for what she owed to the temples for the advance of the beer that they had, and her obligations.

So, when there was a crop failure, the rulers, like Hammurabi, would say, "Well, we don't want the Babylonian citizens to fall into debt. So, you don't have to pay the ale lady and the ale lady doesn't have to pay what she owes to the palace. We'll have a clean slate." That was right into Hammurabi's laws. Same thing about disease, if people got sick, they couldn't pay the debts.

That prevented an oligarch from developing because the oligarchy as it began to develop had enough money to try to rival the palace, and to keep the labor and the land for itself. And to try to use the profit, the interest that it got, and the labor that it got, to build up its own lands. Well, we do have a few families in Babylonia that began to get rich, but the land kept going back to Babylonia. Well, that was what happened throughout the entire Near East, from Mesopotamia towards neighboring countries.

But what you were talking before about the oligarchy was in Greece and Rome. Greece and Rome didn't have rulers like Hammurabi. They didn't have Babylonian type rulers. They didn't have debt cancellation. In fact, Greece and Rome didn't even have interest charges until about the eighth century BC. We know that there was a lot of debts, if you hurt somebody and you owed him money for breaking his arm, or something, you would have to pay. But there was no interest on these things.

It was the Syrian and Phoenician traders that went from the Near East into the Aegean Greece, all the way out to Rome, and neighboring Italian towns, that gave the idea of charging interest on debts. And so gradually, without rulers, you had the local chieftains, who were in charge of the foreign trade of their area, ending

up making money. And they introduced the debt practices, along with the weights and measures that they were taught by the Syrians and the other Near Eastern merchants, and they became a kind of mafia state. And they were overthrown by the leaders, usually from the leading families, but less prosperous part of the families, and they had a revolution. They were called tyrants. And they had a revolution to cancel the debts, redistribute the land, and lay the groundwork for democracy.

Tyrants weren't a bad word. If you wanted to have your debts canceled and to be free, you wanted a tyrant to take place. And that's how it basically you had democracies, proto democracies created Sparta and Corinth, and even in Athens later on.

And gradually in Rome you had leaders of Rome saying, "Well, you know, there are not many people over here because we're right on the river. And people don't want to live near the river because there are a lot of mosquitoes here." Not kidding, there were a lot of hills and not really good land. "How are we going to get people here?" Well, they decided to make rules that actually were going to give everybody access to land. They weren't going to let an oligarchy take control. They were sort of going to try to run a democracy for the people. And there are no records from this period, but all the Greek historians who wrote the Roman history, agreed pretty much this is what happened.

And the people who ran Rome didn't have divine kingship, but what they said is, "Well, we don't want the person who's going to take the throne after us to be an oligarch because they're going to represent the oligarchy. We're going to select somebody to come who's not from Rome and we're going to appoint them as the leader so that there's no favoritism towards any oligarchic family trying to either get power at the cost of others, or to get power by exploiting the rest of society." And you had that kind of kingship going on until about 509 BCE.

And just before that some of the people who came to Rome had been kicked out of their own cities, or decided to leave their own cities, and go to Rome, with a lot of money. And the oligarchs got together and they overthrew the kings in a coup d'état around 509 BCE. And there was no more kingship.

They established a Senate, and it was oligarchic. And immediately, you had all of the prosperity of Rome end for a century. You had utter exploitation, so much so, that the Roman citizens walked out. They said, “Okay, we’re going to do what people have been doing for 1000s of years in Babylonia and the Near East, we’re going to run away. You settled Rome by having us run away from societies we didn’t like before; we’re going to emigrate.” So, they walked out of the city of Rome. And Rome made enough concessions to them to come back that made things a little bit better. But then the oligarchs got pretty bad again and a half century later, around 450 BC, there was another showdown.

The debtors said, “Wait a minute, the creditors are just grabbing our property. There’s no indication of debt. We want the debt rules to be written down. And we want a public record of all this, so we can’t be cheated.” And that was written into the 12 Tables, the first laws that were inscribed in Rome. And they were posted publicly, so that everybody would know the law.

But the oligarchy still became pretty aggressive. And for five centuries in Rome, you had one revolution and one revolt after another by the population wanting the same two demands: debt cancellation and a redistributive land policy.

Because Rome, its army would conquer other lands, the lands would be given to the oligarchs, not to resettle veterans, primarily. And so finally, the oligarchs took over. And by the time of Julius Caesar, you had a revolt of the debtors led by,... I’m blocking up the name right now. You just had a debt revolution that failed. And so, when Caesar was elected, people [oligarchs] worried that he was going to cancel the debts and they killed him. And that ended the Roman Republic.

And then we had the Roman Empire, which was pretty much run by the aristocracy. And although the Roman Empire fell apart, it bequeathed its legal philosophy, its pro-creditor philosophy to the West. And that philosophy was that all debts have to be paid no matter what the economic effects are, no matter what the social effects are. And even if collecting the debts brings on a dark age, or poverty and feudalism, we don’t care because we’re getting rich on all of this.

And essentially, that is the ethic that after the recovery in the Middle Ages, you’ve had that happen again and again in western economies. And ultimately, the debts

grow exponentially, by compound interest. And they grow so much that at a certain point they exceed the ability to be paid. And when the debts exceed the ability to be paid, people lose their property.

Just like after 2008, under the Obama program. You had huge forfeitures. Almost 10 million Americans lost their homes to Obama double crossing them and saying, he's for the banks, not for the people. And this land was bought up by large capital companies that have begun to reverse the American trend towards a personal homeownership and turn America back into a rental society, like it was in earlier times.

So, that's sort of the big picture of the kinds of problems that debt creates. And I describe what happened in antiquity in my book*and forgive them their debts* [... *Lending, Foreclosure and Redemption from Bronze Age Finance to the Jubilee year*] and I describe the Greek and Roman revolutions in *The Collapse of Antiquity*, which was just published.

Anastasia Bendebury

So, one thing that I immediately think of in this is that if you have a kingship that does not owe debts to an external king. So, imagine a situation where you have a kingship and there's not enough interdependency where the king can say, "Fine, we can forgive the debts we can move on. We'll start over from here." That's a functional system. But in a place like the United States, it's a country that owes so much money to other countries, that it seems impossible to forgive debt unless all debt everywhere is forgiven.

Michael Hudson

Well, I should have made it clear that in Babylonia they didn't cancel all debts. A lot of debts were among merchants trading with each other. The merchants were all citizens – the commercial debts were all left in place. That wasn't a problem. If a merchant would somehow lose money and lose his fortune to another merchant, the money would still stay in the mercantile class. And it wouldn't affect landholding, it wouldn't affect the obligation of citizens to provide corvee labor or to serve in the army. So only the personal agrarian debts against which

the debtor owed their personal freedom, their labor – they would become bond persons, as you read in the Bible, to their creditors. Only the personal debts were canceled, not the commercial debts.

So today, there's pressure among the global south countries to say, "Wait a minute, we were pushed into debt by the World Bank and the IMF and their philosophy didn't help us develop at all. Everything they told us to get rich on by hurting our labor force by lowering wages. We killed the labor unions just like they told us to do when Pinochet came in, supported by Kissinger. We murdered all of the land reformers just like the CIA told us to do when they sent in the gun people from the National Endowment for Democracy and the CIA. You know, we've killed all the smartest people. We've done everything you said, and it didn't help us get better. But we're actually worse now that we've killed all the labor leaders and closed every economics department in the country that didn't teach University of Chicago thought" – which is what Chile did. And so, "We think that these are odious debts. These debts are neocolonialism and you pushed us into the debt trap. We don't want to repay you." Well, the United States said, "Well, if you do that, we'll just overthrow you, we'll have a colour revolution. That's what the National Institute of Democracy is for."

And a democracy is a country that does what the United States tells it to and essentially runs the country for US investors, US bankers, and US bondholders. An autocracy is a country that works for its own people and for its own prosperity, instead of becoming a colony.

So that's part of the double think, the Orwellian language, that American politics uses. And to sort of reflect the double think that economic terminology uses.

Anastasia Bendebury

Well, this is an inherently necessary part of American prosperity, right? Because if you suddenly have to pay a fair price for the resources of this country, it makes it much more difficult to maintain the richest standard of living in the entire world. And so there's this, there's this fight between what is morally right in terms of how you should treat the autonomy of other countries that is placed in conflict with the goals of domestic prosperity that says we need to be able to have cheap

copper, cheap bananas, cheap, whatever, because that's what we feed our people in order to protect ourselves from the mob with pitchforks.

Michael Hudson

Well, that all depends how broadly you define the economic system. Did the dark age really make the Romans richer? The 1% of the Romans that were the big landlords, especially in North Africa, which was the breadbasket of Rome in the fourth and fifth centuries AD, they were sort of big frogs in a small pond. But the fact is that if the whole world were growing as rapidly as China by following the very same economic policies that industrial United States followed in the late 19th century – free education, subsidized public services, subsidized transportation, loans made mainly for productive capital investment and the means of production and factories and equipment. If the whole world were more profitable, America could have shared in that prosperity. But America said, “We’re really not after prosperity, we want to be richer than the other guy. And we can be more richer than other people if we make the whole world poorer. We’re willing to be poor. We’re willing to have only half as much money as now, as long as we can make other people four times poorer.” Our ego – we get our kicks out of screwing the rest of the world. That’s what we want to do. And as long as we’re running things, we’re happy.

Anastasia Bendebury

Ahum.

Michael Shilo DeLay

Why don't we just walk out like the old Roman citizens?

Michael Hudson

I think the new German citizens are doing that today. “Now that we don't have our gas and oil and other raw materials from Russia. There's our steel industry and our heavy industries shutting down. Where are we going to emigrate? Well, our employers are going to go. Are they going to go to the United States? Maybe Alabama and the South, which is not unionized? But then we couldn't be in a

labor union there. Are we going to go to Russia? Are we going to go to China? Maybe Kazakhstan? Maybe Iran? You can be sure that the German industry is being followed by its employees to think where on earth are we going to go?”

Latvia, Lithuania, and Estonia have lost 20% of their population since the neoliberals' economics replaced the breakup of the Soviet Union. They've all emigrated. Same thing in Poland, you had the whole wave of what was called Polish plumbers going into England. You're having neoliberal economies emptying out all over the place.

The problem is that Americans aren't very good at foreign languages, so where on earth can they emigrate to? There's not enough room for them in New Zealand and Australia. And they don't have enough money to buy real estate in Australia given its bank financed housing bubble there right now. So, I don't know where American can emigrate.

So, there are a couple of solutions. One is you emigrate into taking tranquilizers. You emigrate into unconsciousness. Another way – suicide rates are going way up. You emigrate and going to wherever you're going to end up after you're dead. I guess it's into the ground. You're having that kind of emigration.

But I know 50 years ago, and in the 1960s, people thought that how on earth is the Soviet Union going to really develop since Stalinism doesn't work? The logical thing they thought would be for American companies to bring American labor over there and to help organize Russian industry so that it would be productive instead of so wasteful with some kind of market feedback, some sort of industrial planning – that never worked.

And when finally, the Soviet leaders, the army, and the KGB said, “Okay, we realize that Stalinism doesn't work. Help us.” Instead of having industrial companies replicate how the United States is getting rich by industry, you had the neoliberals go over there and basically just wanted to privatize and give away natural resources – oil, electric utilities, railroads, and especially land and urban buildings and property. You had something entirely different.

So, you never did have the productive industrialization that could have made Russia and the former Soviet economies just grow like United States have grown. Instead, you turn them into a, think of them as a vision of the future of what the United States will look like as Americans follow the same neoliberal policies today that destroyed the Baltics and Russia.

Michael Shilo DeLay

I guess what I'm getting at is, is there a way for individual citizens in America to walk away from these financial debting structures? Is it possible to live in America and not participate in this structure?

Michael Hudson

No. It's funny, in the 19th century and early 20th century, a lot of utopian movements in Europe thought let's emigrate to America. And they emigrated into all sorts of utopian communities. That's how the Amish came to America, and other groups like them. And they still are living in a quasi-medieval, not very modern time trying to reject the whole way that we're going now.

And I remember in the 1960s, Max Shachtman, a socialist leader, gave a lecture and said, "What happened to all the old socialist leaders? Where did they go? They all went out West. They all went just to get a farm, they all wanted to join together. And today, I know a number of my former socialist friends who have gone to Mexico, to Baja California to form communities there. But they're retirees so they can afford to do that. There's really no way that if you need to make a living, and if you don't inherit a trust fund from your family, you really have to be part of the wage earner force.

And if you read the newspaper and watch television, you're told not to think of yourself as a wage earner, you're a potential finance capitalist in miniature. You can still get rich playing the stock market. You can still try to buy some real estate and rent it out. You can still try to play the game as if you're an investor. Just don't think of yourself as wage earners, live on hope.

But that's becoming even harder now because I think the Federal Reserve reports that half the Americans don't have any net worth at all, zero savings. And I think even for more prosperous Americans, they may have \$5,000 in net worth, you go up a little bit to 50,000. There just isn't enough savings to be able to withdraw. What there is is a whole overhead and avalanche of debt that has built up exponentially since 1945. So much so, that people are actually having to cut back their spending on food, on clothes, on eating out, in order to pay their credit card debt, or their mortgage debt, or their rents, or their medical debt, or their medical insurance. They're broke.

And the cities and states' budgets, they're also in deficit there – they're broke. Companies are going bankrupt that have been looted by Wall Street, like Bed Bath and Beyond and Sears and other companies that have been looted by private capital coming in and just loading it down with debt, borrowing money from banks, paying themselves dividends, and then leaving the company bankrupt.

The industrial companies are bankrupt, as well as the workforce, and as well as the cities in which the companies and the workforce are located. So, the American economy has reached a dead end. That's what Biden is not telling the people. Bidenomics means, you know, "Haha, you're really going to get the fist in the face if I'm reelected because there isn't any money to reindustrialize. But you won't know that until I'm reelected."

Anastasia Bendebury

I don't totally understand what you mean about the way that industrial capital looted places like Sears and Bed Bath and Beyond? Can you elaborate on that a little bit?

Michael Hudson

Could you repeat the question?

Anastasia Bendebury

Well, you were saying that industrial capital looted places like Sears and Bed Bath and Beyond. Can you elaborate on...

Michael Hudson

No, industrial capital didn't pay a penny for that – this is finance capital. You had large fortunes come in – called taking a company private. They would buy out the stockholders of Bed Bath and Beyond, or Sears, and now they ran the whole company. And they said, "We're in the company, what are we going to do? Well, we're going to do what Sam Zell did when he bought the Chicago Tribune."

"First of all, our employees have a lot of stocks in their retirement accounts – we're going to empty out their retirement accounts and we're going to repay the banks that have lent us the money to buy this company. So now we've just wiped out the employees, that's very efficient. And then we're going to," – in Bed Bath and Beyond, the story has been told often enough. First of all, they charged themselves a 20% management fee and they paid out all of the earnings and profits that Bed Bath and Beyond made in dividends. And then they borrowed a few 100 million dollars. And all of a sudden Bed Bath and Beyond had a big bank account. And so, they paid themselves a special dividend to the owners who bought them out and Bed Bath and Beyond was left with owing the debt that it had borrowed from the banks. But all the money was gone with the private capital owners – so they emptied it out. That's what private capital does. It doesn't build up businesses, it strips them. It's asset stripping. You make more money in bankruptcy than you can make in any other way.

Just like in Rome when you would make a loan to a poor cultivator, and then you'd foreclose on the land. It could be a little loan, but you'd own the land. In the United States in the colonial era, there was the Shays' rebellion by farmers who'd borrowed from British landlords and other creditors. They'd make a loan, they'd lose their land. That was that fight of indebted farmers and landowners you had after the Revolutionary War and the Whiskey Rebellion, and other things.

The easiest way to make money is not to be repaid but by foreclosing on property. That's how the Fuggers got rich in medieval Europe by making loans to the Hapsburgs. The Hapsburgs couldn't pay. They wanted to buy their bishopry

or buy a property or wage war, and so they lost their silver mines to the Hapsburgs.

The American investors got rich on the government making loans to Latin America that it couldn't pay. And then the IMF and the World Bank came in and forced them to say, okay, you'll raise the money by selling off your land, selling off your oil rights, selling off your forests, selling off your mineral rights and your mines.

That's how you make money, by people not paying the debt. Driving the economy bankrupt is the easiest way to make money. And it's the way that the rich people prefer to make money because they get to screw others in the process. And I know these guys, they really enjoy screwing other people. I've met....

Michael Shilo DeLay

But aren't they worried? Like isn't there some concern for the sustainability of that operation?

Michael Hudson

No. Because first of all, sustainability? Their timeframe is either three months or one year. They're remunerated at how they can increase the profits, or their salary, for one year.

Finance lives in the short term. Finance doesn't look at sustainability. That's why there's not going to be any American support to prevent global warming and to cut back pollution. Because the oil industry and the American economy says well, we're controlling world diplomacy by our control of energy, and the oil trade, and our ability to threaten other countries to cut off their oil and gas if they don't do what we want. So yes, of course, in the end, there is going to be global warming, and the sea levels will rise and everybody's going to be wiped out and maybe 20% of the world population will die, but we'll get rich for the time being and we'll be dead. Who cares? You know, that's how they feel – we'll be dead, who cares?

Anastasia Bendebury

Well, something that I don't understand is that if you are making decisions that are going to collapse the currency in which you hold your resources, aren't you making yourself an enormous problem that is relatively short term?

Michael Hudson

Who's going to collapse the currency?

Anastasia Bendebury

Well, if the situation in the country is such that there is no private ownership, everything is in the hands of the oligarchs, and the people don't want to work anymore. And they feel like it's unfair, and there's civil unrest, and everything grinds to a halt, then don't you end up in a situation where the currency that you hold is no longer as valuable as it was when you made all of your machinations?

Michael Hudson

No. For one thing, if you see that prospect developing, you'll take the currency out of the dollar and you'll put it in Chinese yuan, or you'll buy gold, or you'll buy something else – you'll take your money and run. That's what oligarchs do – they take their money and run when they have to. That's what the Romans did. That's what the lenders that I just talked about, the Bed Bath and Beyond did – they take the money and run. There's always somewhere to run to. They can buy land in New Zealand if they want. There's always something to buy. And you can be sure that wealthy billionaires have houses all over the world. They do so no matter what happens, they'll have somewhere to live very nicely.

Anastasia Bendebury

Why are there no laws in place that prevent this sort of thing?

Michael Hudson

The Supreme Court would say that's not what the authors of the Constitution wanted to say anything about 250 years ago. So, there's going to be a whole fight over whether there can be taxes on wealth. The Supreme Court was saying even

the income tax is unconstitutional back in the 1890s. It took about 20 years of fighting for Congress to pass the income tax over the Supreme Court.

You have the fact that the 1% controls the political process, the newspaper media, the television stations, Hollywood...

Michael Shilo DeLay

YouTube.

Michael Hudson

...who's going to protest?

If people cannot cope, they blame themselves. They said, "Well, look, GDP is going up." Meaning our wealth of the 1% is going up. "You must have not played the game of life right. Why don't you just kill yourself or take the pills that they're taking." They blame the victim. And you have the word depression applies not only to economic depression, but to psychological depression.

And in the United States, there really can only be two parties because of the way the duopoly has created blockages at the state level for other people running. And basically, both parties have the same program and the same donor class, the 1%. So, what's the alternative? People don't know what to do. Yes, of course, there'll be riots, or on a personal level, crime. Crime's going up all over the place, especially in San Francisco. But that's not really threatening the 1%. When the slums were burned down in the 60s and 70s, they were burning down their own slums, they weren't burning down the nice gentrified neighborhoods.

Anastasia Bendebury

So, this kind of makes me think of a movement towards depopulation in general, right? Because we have this progressive automation of technology for farming, for manufacturing. So everything that is goods based is progressively becoming more automated. And so, this is a continuation of a trend that you saw in agriculture that began at the turn of the century when you started to have mechanized combines where instead of having to have a small army deal with a field, you

could just have a single person driving a truck, and then machines could take care of everything else. We're accelerating that direction, because people are trying to develop these, you know, general intelligence systems, and the general intelligence system is a replacement for the human ultimately. And it's a replacement for the human that's very convenient for the oligarch because it doesn't want rent, it doesn't want food, it doesn't want clean water. It's basically a machine that will allow you to accumulate capital in the absence of a human that is actually working the levers of that machine.

And so do you see there being a push towards depopulation that's accelerating where they don't actually care about the deaths of despair, and they don't actually care about the potential impacts of, you know, any kind of pollution or climate change because they are going to have places to go where they're isolated from those shocks?

Michael Hudson

Well, neoliberal economists have an alternative that they propose. All these farmers and workers that were replaced, can become computer programmers. They can all design artificial intelligence. After all, look at all the automation that occurred in the early 19th century.

Marx had an argument with the Ricardians. The Ricardians said, just what you said, "Well, all this automation is going to replace labor." And Marx said, "Well, you're going to have capital equipment rising becoming productive so much more rapidly, that capitalists are going to spend more and more money, designing new equipment and building new equipment, new factories. And instead of workers using the old equipment and not working at their old job, they're going to become machine makers, and they're going to become the technologist making machines."

And during the 19th century he was right to such an extent that when Carnegie built the first big modern Pittsburgh steel ovens. They were just about to open them after the huge new steel mill was built and then they got the new German designs for steel mill and Carnegie tore down the whole steel mill and began all over again because already there was obsolescent machinery. And obsolescence

of machinery created a whole market so that the workers didn't have to weave their own clothes anymore or cloth. There was an increasing demand for labor. That's not going to happen today with today's kind of automation, I don't think, because the form of labor is too different.

So, yes, you have the Davos meetings in Switzerland, all about saying, "Well, we really need to cut back population of the world by maybe 20 percent. I think there have to be 2 billion people that have to buy for equilibrium." Economists love to talk about equilibrium. And so they say, "Well, you know, maybe all this global warming isn't such a bad thing. It's going to wipe out Bangladesh. It's going to wipe out a lot of big cities all along the waterfront and the seashore all over the world. Maybe you'll have less population and that means less usage of raw materials over time and more for us. Maybe that's not such a bad thing." So, you're having the wealthiest economic think tanks all are welcoming depopulation, and they think that, well, what did Malthus say, "Starvation will help. Wars will help. Disease will help." These are all the checks that the neoliberal economists are looking forward to to create the kind of equilibrium that will create the kind of world they'd like to live in.

Michael Shilo DeLay

I want to talk about the solution set to these crises, but I think we should take a quick break.

A More Perfect State - Dr. Michael Hudson (Part 2/2)



Anastasia Bendebury

The back half of this conversation should be about solutions, but I think something that we didn't really talk about yet is modern monetary theory.

Michael Hudson

Yeah.

Anastasia Bendebury

And I wonder, do you bin that as part of the solution? Or do you bin that as part of the problem?

Michael Hudson

Well, for many years I was at the center of the university that promoted modern monetary theory, the University of Missouri at Kansas City. And that was created with a contribution by Warren Mosler to bring the faculty there. So yes, I'm one of the original modern monetary theory faculty people.

And the theory is that it's not really a theory – it's the description of how banking really works. And I guess the leaders outside of academia are Dick Cheney and Donald Trump. They said that deficits don't matter, we can simply do what banks do. Just like when you go into a bank and you take out a loan, the bank doesn't have to have any money in it. It will write you a loan and it will deposit money in your account. And so, the bank asset goes up by your deposit and your asset goes up by the deposit. The bank has a credit to you, the loan IOU that you signed at interest. And the debt, what it's had to borrow the money from the Federal Reserve, or something. Banks create their own credit money.

Governments can do the same thing. The government can print whatever it wants. In fact, every time there's a war, like World War I, all the observers thought that World War I was going to end in six months because governments would run out of money. Well, they didn't run out of money, they printed the money. Just like America printed greenbacks in the Civil War. And the people don't have to borrow money at all.

For instance, I was the advisor to Canada in the late 1970s, and there was a controversy over should Canadian provinces borrow money from Germany and Switzerland. And you had the banks saying, "Let us, for a commission, arrange for you to borrow at very low interest rates from Switzerland and Germany. You'll borrow the marks from them and you'll only have to pay maybe 2% instead of the 6% or whatever you're paying today." So, they convinced the gullible provinces to pay money.

Well, the government hired me to write a monograph [Canada and The New Monetary Order](#) for one of their research institutes and I pointed out well, "When the province of Alberta, or wherever, Saskatchewan, borrows money from Switzerland, what happens? The Swiss bank puts the money in the Bank of Canada. The Bank of Canada then prints the Canadian dollars and turns it over to Manitoba, or wherever for spending locally because the provinces are not going to spend Swiss francs or German marks, they're going to spend Canadian dollars." I said, "Well, no matter what happens, the Canadian government's got to print these dollars. What do you need lenders in Switzerland or Germany to lend you money for?"

Well, there was a meeting with the banks and they said, “Well, you need us to be honest brokers. We decide who can afford to borrow money or not?” And I said, “Let the government decide that. We don’t need you at all. You’re telling them to borrow money, anything that will make you money. You’re just a bunch of goddamn crooks?” And they said, well, “They need our advice. The governments are not that competent. Government is bad – private enterprise is good. We’re private people.” And they even trotted some Jesuit priest in that said, “That way goes to the gas chambers. You can’t have a strong government. Hitler had a strong government. Look what he did. Why do you want to send Canadians to the gas chamber and not let this nice bank of Nova Scotia arrange a loan in Swiss francs?” That actually happened.

And the result was that the banks – I’m sure there was personal bribery there because we’re talking about Canada – they borrowed Swiss francs and German marks at a time with the Canadian dollar was worth more than the American dollar. It was up to about \$1.10. Well, within three years, the Canadian dollar had sunk to 80 cents for the US dollar, and much more against the German mark and the Swiss franc that went way up, and the provinces were broke. They were strapped by having taken the private advice of the smart bankers. Smart bankers are ones who are smart enough to con you into taking their advice, and you end up without your pants on and they’ve got everything. That’s what a smart banker did. And they were chortling, they were so happy, haha, we really screwed them. And that’s what happened if you’re a Canadian.

They had given me temporary citizenship rights there and needless to say, I have no interest at all in going to such a backward country that puts its faith in the bankers. And the irony is that the Bank of Canada was in the forefront of banks that created its own money. Before there was the revolution led by the liberals, of course. It’s always the liberals on the left that have been the pro-financial pro-war party, not the right wing, amazingly.

Well, modern monetary theory would have said what I told the Canadians. And in fact, I think that was the first official government publication of a modern monetary theory when I said that governments can create money just like banks do. They don’t need to tax money to create the money. They don’t need to

borrow from the 1% to run a budget deficit. They can run a budget deficit, whatever they want.

Including today, you can run a budget deficit by the Treasury is empowered to create a coin of any value that it wants. It can take a piece of platinum and say we've just created a trillion-dollar platinum coin. Now we have a lot of money to spend. We can just convert that into electronic dollars or paper dollars. And we don't have any debt at all – we don't have to raise taxes.

And that's just what Dick Cheney said. "We can fight the war, we can run a huge deficit, we can just print the money. And Donald Trump said, "You know, I can print whatever I want. I can cut taxes on the rich people because the government can print the money. Modern monetary theory, of course, doesn't, unlike Trump, and unlike Cheney, the modern monetary theory was developed by people who actually wanted to use money creation to fund productive capital investment. To fund infrastructure investment. To help make health care less expensive. To help build more public transportation and not privatize it. So, we were not the right-wing looters, like Cheney and Trump, but wanted to do it for a good social purpose. But that's the essence of monetary theory in a nutshell.

Anastasia Bendebury

So why does the government creating money to spend on these sorts of projects such as bridges, infrastructure, health care, why does it not devalue the currency?

Michael Hudson

Why would it devalue the currency? How would that help? Devaluing a currency doesn't build a bridge.

Anastasia Bendebury

Well, no, what I'm saying is that, so again, rudimentary economic understanding, so forgive me if this is a stupid question. But my understanding is that if you have a fixed pool of money that is tied to some kind of constraint, you have a roof on the price that a good or service can cost, because you have a limited pool of monetary resources in order to be able to pay for that. And if you start to create

money from thin air, where you're just printing it, then what you're doing is you're creating more money that goes into the system that can be distributed for the same goods and services. And so, they can start to rise in price because there's no longer that cap that was there before because the pool of money was smaller.

Michael Hudson

No, just the opposite. If the government builds a bridge instead of letting a private monopolist build a bridge or a toll road, then it doesn't have to charge a toll. It doesn't have to charge as much. It doesn't have to pay interest to itself. It doesn't have to pay management fees. It doesn't have to pay dividends. Government infrastructure spending is much more efficient in terms of price than if you leave the infrastructure to a finance capital firm that's going to screw you and just as many ways as the telephone company screws you trying to figure out all these extra charges on your phone bill.

Anastasia Bendebury

Is this tied to the idea of debt, in some way? Tied to the idea of debt and debt forgiveness, right? So if the government...

Michael Hudson

No, no connection at all? The government will create its own money – there's no debt.

Just like mentioned before about Babylonia, most debts were owed to the palace and temples. Only since the Crusades in the 12th and 13th century did governments turn into debtors. Before that, through all of human history, governments were creditors. People owed them taxes or they bought goods and services from them. Churches were creditors. So the government were creditors, not debtors.

Government can do whatever it wants. It doesn't have to borrow. If a billionaire says okay, "I'm going to help a government build a bridge. I'm going to lend it \$200 million to build a bridge." The government is going to spend this money it

borrowed out of the billionaire's bank account offshore in the Cayman Islands and turn it over to the government. They spend it in the economy. How is that less inflationary than if the government simply doesn't need money from the Cayman Islands, but said we're going to create our own money right here and the Treasury. We're going to call it the Cayman Islands Room. And we'll just print the money. Spending money that is provided by a private bond holder or a government treasury is identical, except as the Treasury creates its own money, it doesn't have to pay interest on it.

Michael Shilo DeLay

Doesn't it threaten deflation of the currency overall, in that case?

Michael Hudson

No.

Anastasia Bendebury

Yeah, like, isn't this what the Weimar Republic did?

Michael Hudson

No, not at all. No comparison whatsoever. The Weimar Republic collapsed for the same reason that every country, except Zimbabwe, with a hyperinflation collapsed. It owed foreign debt as a result of the reparations. My book *Super Imperialism* describes this. And *Trade, Development and Foreign Debt*, my textbook on international finance theory, describes this.

Germany after World War I ended, America shocked Europe by saying, "We want to now be paid for all the arms that we sold you before we entered the war." And the British said, "Well, wait a minute. European countries, if we're on the same side, at the end of the war we've always forgiven the debts." And America said, "Ah, of course, we're not going to charge you for what we spent during the war. But before the war, you bought a lot of arms. Now you have to pay us the money." And Germany said, "Okay." England said, "We're going to just make Germany pay." And France said, "Well, we're going to make Germany pay also, not only for

the money to pay you Americans, but because we don't like for all the damage it caused."

So, Germany had to just keep printing marks not to spend at home, none of this money was spent at home. It was spent on buying the dollars, and the Sterling, and the francs for foreign countries. Governments can create their own money without inflation. They can't create foreign currency and foreign debt that they have.

And then you had bankers both from America and Europe, saying, "Wait a minute. We see that Germany can't pay its debts. Let's play the currency market and let's bet against the market." And you had all the speculation adding to all of the marks being thrown on to world markets.

So, the Weimar inflation didn't come from government spending money domestically, it was from trying to pay a foreign debt by desperately throwing its currency onto the market. And it finally solved the problem simply by borrowing the money from US bondholders to pay the debt. So, the German municipalities and cities would borrow from Wall Street. They'd borrow dollars, they'd turn the money over to the Reichsbank. The Reichsbank would use these dollars to pay the reparations and the Allies. And the Allies would take the dollars and they would pay the US Treasury for the interallied debts. And that was a circular flow of the 1920s.

Michael Shilo DeLay

Wow, that's the most clear I've ever heard that story presented. It's very fascinating.

Michael Hudson

It's all again, *Super Imperialism* has a whole chapter on this, and *Trade, Development and Foreign Debt* explains.

There was a huge argument and debate among economists in the 1920s over this, "Is there any limit to how much money Germany can pay?" And the people who hated Germany, the Frenchman, especially said, "Well, Germany can pay

anything. All it has to do is pay labor less. It can squeeze it labor.” And John Maynard Keynes, and an American Harold Moulton said, “Wait a minute, there’s a limit to how much debt Germany can pay. And that limit is how much foreign currency can Germany export to raise the foreign exchange to pay the foreign exchange to the Allies to pay their foreign exchange the dollars?” And Keynes said, “But problem is that the American Congress by the 1920s said, ‘Oh, wait a minute, Germany’s devaluing its mark. That means that it’s competing, and it’s earning the money to export at the cost of American industry.” So America passed a law making a floating tariff for countries with depreciating currencies to prevent Germany from making exports to America to raise the dollars to pay the Allies to pay for the interallied debts.

Keynes and Moulton were right. But the losing argument, the people who are wrong – Bertil Ohlin, a Swedish economist at Harvard, and the French finance minister, the hardliners – were saying exactly the same argument that any country can pay any foreign debt that the International Monetary Fund is used to wreck and turn Latin America and African countries into the same desperate situation that occurred in Weimar and in Germany and led to the Nazi party.

Anastasia Bendebury

So, has there ever been a place that has successfully implemented modern monetary theory? Or is this still...

Michael Hudson

Well, how about the United States? The North won the Civil War by printing its own currency. It didn’t have to borrow. I mean, every country that’s gone to war in modern times has used modern monetary theory so that it can afford to fight the war.

Anastasia Bendebury

And is the idea fundamentally that what you’re doing is you’re printing money in order to produce goods and services that are then folded into the economy and

they remain in circulation and so they raise the wealth without devaluing the currency?

Michael Hudson

Yes, no devaluation. Devaluation occurs as a result of the balance of payments, not the domestic economy, the balance of payments.

Michael Shilo DeLay

So how do we encourage the adoption of this policy?

Michael Hudson

Well, that's what the bankers have been asking themselves for the last 20 years. How do we stop these modern monetary theorists from having any voice. Well, first of all, they say, "Thank God that the University of Chicago and the right wing neofascists all control the major economic journals. We're not going to let the graduates of the UMKC get hired. And we're not going to let them publish in any respectable journal. And that means that when these graduates get their PhD and they want a job, we're going to make sure that they can't be hired by any respectable university. And we're going to isolate them and make fun of them. And tell them that just like Margaret Thatcher said, 'There is no alternative.' They are unpersons." That's why I'm on your show and not on MSNBC.

Michael Shilo DeLay

Well, MSNBC's audience's shrinking by the day...

Michael Hudson

Thank God.

Michael Shilo DeLay

... and our audience's increasing by the day. So, I don't know, there might be some hope there. But I say that kind of joking. But seriously, you know, I think it was Jefferson who said if he could have a functional government or a functional

publication, like a functional news media, he'd rather have a functional news media because if people don't have the information they need – clean information to make decisions – they're not capable of righting the wrongs. And so there is some hope there that the rise of podcasts, the rise of Substack, independent journalism, actually does seem to be making a turnover in some meaningful way that I think is really important. But...

Anastasia Bendebury

But I think that people need to know what it is to ask for. And so, if the economy is grinding to a halt and everyone has so much debt that they literally cannot make any movement forward. What are the solutions that you can imagine people, like in an ideal world, what are the solutions that you imagine implementing that would help turn this around?

Michael Hudson

Well, that's why I began to write my history of debt with Harvard, beginning with antiquity to the modern times. How have societies handled the problems of debt growing faster than the ability to be paid?

Well, in my *Killing the Host*, I showed the problem is that debts grow exponentially. The Babylonians had an economic model of the economy. And in 1800 BC, it was more mathematically sophisticated than any model that has come out of any university, or the National Bureau in the West. And the model was quite simple. We know what it is because we have the textbooks that trained the Babylonian scribes in who were the writers.

They asked, "How long does it take a debt to double?" They said, "Every rate of interest is a doubling time. And at the commercial rate and Babylonia 20%, simple interest quinquennially calculated, it takes five years for a debt to double at the going interest rate. How long does it take to quadruple? Well, that's 10 years. How long to multiply eight times. That's 15 years. And then finally, how long does it take to multiply 64 times? Well, that's 30 years."

Well, needless to say, they all saw that no economy can multiply its debt 64 times in 30 years. So, you had a number of rulers cancel debts on their 30th year, but usually much before that.

They also had a model of how fast does the economy grow? “Well, we have models. We have a herd of cattle. How fast does a herd of cattle grow?” And they found it’s an S curve. So, the economy grows on an S curve, but the debts grow up exponentially – you’re going to have a gap between the amount of debt and the ability of the economy to pay out of its production.

I did these charts in an essay that I did in one of the University of Missouri at Kansas City publications for their Minsky meetings. And I repeated this chart in a cover story for Harper’s Magazine, in I think 2007. And I got credit from the Financial Times for being one of the eight economists who’d forecasted exactly when the bank financial crisis was going to occur. And I showed why it would occur. And the Financial Times reproduced the charts, the Babylonian economic model, that I’d had.

So other countries realized early on before there were oligarchy to promote junk economics. They didn’t have any Milton Friedmans, fortunately, to advise them. They would cancel the debts. That’s why as I said throughout Greece and Rome, the population knew how to cure things – they wanted a debt cancellation. There were revolutions in Greece, Athens, Sparta. The Kings of Sparta cancelled the debts and were overthrown when the oligarchs and neighboring Greek cities called in Rome to come in and just wipe out the Greeks. And in Rome there was no debt cancellation, and we know what happened to it.

We know what the solution is. If you do not cancel the debts, then there’s going to be a polarization and the 1% of creditors are going to grow everything. The basic principle is obvious enough. Debts that can’t be paid, won’t be paid.

But the question is, how won’t they be paid? Either they’ll be canceled, but if you don’t cancel them, they’re going to be paid the way Obama solved the problem. Let’s just foreclose. Let’s throw out 10 million American families. Boy, that’ll give me enough money for my next campaign that I’ll be reelected in 2012. And that’s just what happened.

So, you screw the people by standing up by not canceling the debts and letting them be stuck with a fictitious, fraudulent junk mortgages. And you'll make the 1% rich. That's your choice. Are you going to be for the 1% of creditors or for the 99% that's in the increasingly indebted economy at large?

Michael Shilo DeLay

Is it possible for somebody to step into office and implement a policy of debt cancellation?

Anastasia Bendebury

Well, they've tried. That's what I was gonna say. I mean, like the hand wringing over the cancellation of student debt to me seems indicative of just how cold the climate is. Because you saw people that seemed to be perfectly rational, being like, "Well, they took the loans, they gotta pay them." And it's like, "Well, they took the loans at 17 years old without a full understanding of what it meant to take a loan like that." And everybody along the line benefited from giving them loans from the universities to the banks. And so, the...

Michael Shilo DeLay

It's like a lot of buyer's remorse too, right? Where people were like, "Well, I had to pay off my debt. And.."

Anastasia Bendebury

And lots of people, they have this moralistic attitude of like, "Well, they won't learn their lesson if you forgive the debts." And it just seems to me a desire to punish in this almost Old Testament way of you know, "You made your bed now lie in it. Because if you were responsible, you would have majored in computer programming instead of anthropology."

Michael Hudson

Well, you're saying just what Julius Caesar said. He worked with Catiline and said, "There's only one way to cancel the debts and that's the revolution. If you

don't kill them, they're gonna kill you. You're gonna have war." And so Catiline tried to start a war, but it didn't work and the oligarchs beat him. And then Caesar accumulated a lot of money, marched with the troops on Rome, became elected council, and he was killed.

So, in America, we have the Supreme Court. You don't need Brutus and the senators to kill them, you just have the Supreme Court that's been put in place to say, "Oh, I'm sorry, that's not legal." Or you have Mr. Biden going to the parliamentary advisor, some lady who just graduated from law school say, "Oh, you can't do that." And you say, "Okay, we're not going to fight, we're not even going to try."

So, remember, Biden didn't want to cancel the debt. It was Biden who introduced, enforced the law that the credit card companies and banks wanted that student debts cannot be wiped out by bankruptcy. Biden says, "There's one group of people I really want to screw that I don't like that's the intellectuals who go to college. Let's really break them. Let's make sure that they'll get a debt they can't pay. And every other American can wipe out their debt in bankruptcy, but not the students. We'll screw them." And that's what he did. Biden is the enemy of students, the enemy of everything that he pretends to stand for. He was thoroughly rotten to the core. And the problem isn't that he's senile now, it's that he's thoroughly rotten.

Michael Shilo DeLay

But isn't that the case for any elected official within this system? Like it seems impossible to reform this without a total collapse of the system....

Michael Hudson

Yes.

Michael Shilo DeLay

...And my next question is that if we have a total collapse of the system, we have to make sure that our new version of the Constitution, how we formulate our

government, is adapted to this new way of thinking. What would the major change in that Constitution be?

Michael Hudson

You have to completely rewrite it from scratch?

Michael Shilo DeLay

Okay, yeah. What would you change?

Anastasia Bendebury

Oh, not necessarily what would you change because if you rewrite it from scratch – what would you write in it?

Michael Shilo DeLay

How would you write it? Yeah.

Michael Hudson

You basically have, look at what China has done. China doesn't have this kind of a debt problem because the government is the banker, the central banker, the government can create whatever it wants. One thing you want to design an economy without a central bank of the Treasury. A central bank is to prevent the Treasury from making public money and to make sure that the central bank represents the commercial banks to indebt the rest of the economy rather than the economy working free from debt.

There are a bunch of economic principles. And these are the principles that I'm trying to get the global south countries to get. Simple market principle – if a debtor cannot repay the debt, then it's a bad loan. The creditor loses because instead of doing what creditors claimed to do – we make loans to people who can repay, that's our job. They've made loans that can't be repaid. The loans wiped out. You have the ability of debtors to declare bankruptcy when they are unable to pay a debt that has accumulated.

You also have a tax system. What is pushing up the debt in America's economy is basically real estate debt, mortgage debt. Eighty percent of loans by American banks are mortgage loans. Most of these mortgages are to pay for land rent, for the capitalize the land rent into a value all of this rent of location that isn't created by the landlords, it's created by the public community, you would have a tax system that taxes away economic rent.

That's exactly what Adam Smith wanted, what the French physiocrats wanted, what John Stuart Mill was all about. The whole 19th century said, "We don't want people to go into debt to pay a rentier class. We'll finance the budget by land rent. We're not going to tax labor because that will mean you have to pay labor more wages to pay the taxes. We're not going to tax industrial capital because that means they won't have enough profit to reinvest. We're going to tax unearned income. We're going to tax the land rent, and the natural resource rent, the oil and mineral rent. And we're not going to permit public infrastructure to be monopolized, and screw people" Like the Indiana toll roads or Chicago's parking meters. "We're going to keep all public investment in the public domain. And we're going to supply it either for free, like medical care, or education," as it's done throughout much of the world, "or at least at subsidized prices." So inexpensive transportation, inexpensive communication, so that you make the economy competitive. So there has to be a different tax system, a different bank, a credit creation and monetary system, to begin with. And of course, you'll have progressive taxation, not the regressive taxation of today.

Michael Shilo DeLay

Does it involve the abolition of usury in general?

Michael Hudson

No. The Babylonians never got rid of usury. There are reasons to pay interest. And the idea is that you can make a loan at interest if somebody benefits from having interest. You don't charge interest on something that people need as a basic cost of living. You make sure that everybody has their basic needs guaranteed as a human right to be able to afford basic needs – a home of your own, medical care, education. And if you want to go into debt to either start your

own enterprise or consume more, yes, there is a reason for interest. But when you can't pay the debt, then you have to either forfeit your property, or the lender has made a bad loan, but you don't become a slave to the creditor as in antiquity. You don't become a bond person having to end up working your whole life just to pay the creditor.

Anastasia Bendebury

I mean, one of the ways in which I think that this functions right now is as a mechanism to drive people's behaviors. So, the fact that the housing market is insane and mortgage rates are, I think that they're up at like 6% right now – it feels like a mechanism to perpetually encourage people to continue renting rather than owning.

Michael Hudson

Yes.

Anastasia Bendebury

And so, there's a lot of interest...

Michael Hudson

The question is the economy becoming richer as a result? The GDP national income account said the economy is getting richer because now housing services are more valuable. And so, our housing services are more valuable than those of China or Japan, or Russia or Venezuela. Because we charge so much more and we're willing to pay the bank so much more. Are we getting richer? Or are we getting poorer by high housing prices?

Anastasia Bendebury

Well, yeah, exactly. But it seems like it is the system is so just tangled up in the activism of special interest groups, that it's hard for me to imagine a situation where you would change the economic conditions sufficiently to allow all people to own a home.

Because I have family that lives in the Bay Area. So they're always sending me articles about the housing market in the Bay Area. And there was one recently in the San Jose Mercury News which was about the fact that the average mortgage was around \$10,000 a month in San Jose. And so no one in the right mind can do that because you can rent. I mean, rent is still expensive, but you can rent a place for \$4,000. And so, no one in their right mind is going to buy a house under those conditions. And so how do you change those conditions? Because everybody wants to live in San Jose.

Michael Shilo DeLay

It seems like he's saying a collapse is necessary, essentially.

Anastasia Bendebury

Yeah. Is a collapse necessary?

Michael Hudson

That seems to be. It has never been solved in any other way than a collapse or a revolution.

Michael Shilo DeLay

And the thing that prevents revolution is the dream that you can get in on the game and it can work for you.

Michael Hudson

That's it.

Anastasia Bendebury

Well, not only that, not only that, but the fact that everybody is in the game because anybody who owns stocks, or bonds, or has a 401K, is inherently tied to the continued function of the system. And most, I don't know about most people, I don't want to say that, but there seem to be lots of people who are doing all right with that. They have their investments. They're perfectly happy as long as

the big corporations function. Their Vanguard Index funds are traded in such a way to maintain their rise in price. And so, the people who are able to afford a 401K, which is anyone with a decent wage job that works at a corporation, they're like, "Well, I don't really want it to change."

Michael Hudson

Well, this is a big trick that was pulled on American labor after World War II. In 2006, I wrote a big cover story for Harper's on this, and the labor unions were tricked into basically having pensions privatized and corporatized. And so, the corporations had to actually spend money, and labor had to contribute to pay money, by buying stock into the financial sector.

This trick was organized by the financial sector realizing that now we have labor socialism. Pension funds socialism it was called. The pension funds are going to put money into the stock market to make us the 1% that owns 70% of the stocks richer. We're going to get richer and richer by all these suckers. The workers who are paying into the pension funds that are pushing up the values of the stock we have. And labor is going to make us richer, not by exploiting them, or by hiring them to sell their products at a profit, but by making them use their savings and the corporate savings into pension funds to make us speculators richer in the stock in the bond markets. That's exactly the problem.

A pension should be public, not private. They should be pay as you go. And you should not have to pay labor's pensions by giving money to the financial sector whose economic role is to destroy employment, to offshore employment, to deindustrialized the country, and to do exactly what the financial sector has done to the US economy. That was the false detour that the American economy took after World War II, not making pensions the way they are, I think Germany and other countries, public in character, but you have to financialized it to make the financial 1% rich, the stockbrokers and the banks. That was the con job, the ideological con job that they pulled.

Anastasia Bendebury

Can you explain the way that a public pension system would work?

Michael Hudson

The government will simply pay pensions like it pays for medical care, like it pays for education in other countries. People who retire deserve a wage. This is what the fight is largely in France right now. They're having a revolution there. A pension should be a public right. Just like health care is a public right. And education. You have a right to live and not starve when you retire.

Anastasia Bendebury

But we don't have that in this country in any way. We're so far from that in this country. The idea of debt forgiveness is basically a moral question. You picked the wrong major, you deserve to suffer. If we forgive debts, we will encourage people to make the wrong decisions when they go to college.

The lack of public health care, I think, also has to do with that, because I see a lot of people talking about the fact that if you make it public, people will use it more. And if they use it more, it's gonna be worse. And I'm like, isn't that more of a reflection of how screwed up our healthcare system is that the end result would be more consumption as opposed to a healthcare system that helps people get better.

Michael Hudson

I guess you're talking about ideological suicide.

My major audience isn't in the United States. My major audience is in China and Asian countries where my books are typeset. And I spend most of my lectures over there. My audience typically is 650,000 people per lecture, larger than I can get in the United States. Because other countries are actually trying to work to solve these problems. And most people in America, like you, realize that a reasonable economic solution is not possible without a revolution, and we're nowhere near a revolutionary situation. It's not gonna happen.

Michael Shilo DeLay

Yeah, it seems like people have to really be pinched to the point of breaking before they're willing to sacrifice the comfort of their momentary situation in order to actually change things.

Michael Hudson

No, actually it's the reverse. Most revolutions have happened when people are just beginning to get a little bit richer. And when they're just beginning to get a little bit richer, that's when they get their thinking, they have more courage, and they're able to do things...

Michael Shilo DeLay

Really?

Michael Hudson

Once they're impoverished, they just give up – they're depressed, and they're lost. And so, I think the American wage-earning class is more depressed than ambitious, right now. Plus, it's the Democratic Party's work to make sure that the population has almost every kind of identity, except that of a wage earner. You can have an ethnic identity, or gender identity, and national identity – you cannot have an identity as a wage earner. That's autocracy.

Michael Shilo DeLay

It seems like you're saying that the revolution would come from the wealthy class, then, if it was going to happen.

Michael Hudson

Surprisingly enough that's what's happened throughout history. If you look – who were the Jewish prophets, in Judea, and in the Jewish Bible, they all came from pretty good families. Most revolutions are led by the upper middle-class people. In Greece and Rome, they were led by members of the aristocracy, but not the rich members, sort of like the poorer members of the aristocracy. And in Rome, when Rome made Christianity the religion, it was mainly the wives of the rich

people who converted them all. So yes, it's the wealthy people, ironically enough, who've led the revolutions. Neither Lenin nor Trotsky were members of the working class.

Anastasia Bendebury

You know, it's interesting, because a really long time ago, I was thinking about the Vietnam War. And it kind of occurred to me that the reason that the Vietnam War ended was because the middle class, the wealthy began to protest. While it was just marginalized communities, it was kind of like, well, we can do whatever we want to. But the minute that the middle class that actually had the economic power began to be upset with it, that was when the entire thing collapsed.

Michael Hudson

It was a draft dodging war. So, it wasn't really they were against it, they didn't want to be drafted. But there were also some middle-class people that actually didn't like the war. Although, right after the war they decided they liked American imperialism generally as long as they weren't drafted.

Anastasia Bendebury

Mm hmm.

Michael Shilo DeLay

Do you think that it's a coincidence that the ancient Sumerian Kings were obligated to a divine role in society?

Michael Hudson

Everybody thought of themselves as being subordinate to somebody else. Children were subordinate to their parents. Parents had complete control over them. Families were subordinate to local politicians, the king, all the way up to the Pharaoh. The Pharaoh was subordinate to the gods and the Mesopotamian rulers had to follow the gods' direction. But what were the gods? The gods were the definition of what is a socially balanced society.

Michael Shilo DeLay

Exactly.

Michael Hudson

How do we tie society together? They were subordinate to an ideology of keeping society well balanced and integrated and not impoverished. And you don't have that today. The leaders today are subordinate to how can we help our campaign contributors tear society apart? And your Mr. Biden, "How can I squeeze labor even harder? How do I make sure that the railroad strike workers are not unionized? How can I break the unions so that I can get more campaign contributors through the railroad owners?" You know, that's how they think. So instead of having a justice god, they have the devil.

Michael Shilo DeLay

Yeah, there's a great Dylan song, "You Gotta Serve Somebody." You know, "It may be the devil, or it may be the Lord, But you gotta serve somebody." And it's true just of human existence, if you're not aiming towards something good, you're probably not aiming towards something good, right? You're aiming towards something bad.

Anastasia Bendebury

Well, at the upper echelons, you're aiming for something. Like the people who occupy the highest rank of society are all aiming for something. They're all aspiring. They're all pushing towards something. You don't accidentally end up the president of a company or the president of a country. You get there because you have aimed to be in that position over the course of your entire life.

Michael Hudson

Ah, you say position, but you aim to get that position, not by having anything that you want to accomplish. Biden or Obama or Trump didn't care a bit. They didn't have any ideal they wanted to accomplish. They wanted to serve their campaign contributors. They said, "I will serve anybody's ideal. I don't care. Give

me money behind your ideal and my ideals are up for auction. Whoever gives me the biggest campaign contribution that's the policy I'm going to support."

Michael Shilo DeLay

How do we fix that one and the new Constitution?

Michael Hudson

Well, you're not going to let private campaign contributions determine who's elected. In other countries, all European countries, the government gives each party its own think tank, a given stipend to make its case. There are no private.

For instance, the Christian Democrats have one, the Frankfurter Allgemeine Zeitung and their own think tank. The Social Democrats have the Bockler Foundation. The Die Linke party has the Rosa Luxemburg Foundation. Everybody has the same budget if they're running. The government says, "Here's how much you have to spend. Here's how we're organizing the debates. Here's all this." Its governments are not put up for auction. America has privatized and Milton Friedmanized the election process and other countries have not done that.

Anastasia Bendebury

And so, what is – I mean the defense against that seems to fall in with the Citizens United decision because Citizens United created a condition where there is no limit on private campaign contributions, which means that there's no real limits to the amount of influence that you can purchase....

Michael Hudson

Yeah.

Anastasia Bendebury

...Is there a way back from that?

Michael Hudson

No. Not unless Biden is going to invite the Supreme Court into his office and say, “There’s nothing personal here, but I’m afraid I have to shoot you all so I can appoint a new Supreme Court that’s going to have a completely different ruling than you have.” That’s not gonna happen. They’re gonna die a natural death. And we’ll all be dead by the time there’s a change in that ruling, I think.

Anastasia Bendebury

Okay, so what about something like worker ownership?

Michael Hudson

One way, if you really want to screw workers, have them do worker ownership. This was the plan corporations said, “Let’s have worker owners.” I think that’s what the Chicago Tribune had.

That’s the Chilean, that the fascist solution in Chile, that Chicago thought of. Very clever, they’ll have workers ownership. “You know, you’re going to actually have stock in the company. And we’re going to give you the stock, so you’re the owners of the company. We’re going to invest all the stock for you.” And so, in Chile they would have a factory, let’s say, and they’d give the workers a stock. And you’d have the factory in that corporation, you’d also incorporate a bank. And the bank would make loans to the corporation. The bank would make loans to the worker ownership corporation. And they’d then pay the loan to themselves as a dividend. They’d leave the company bankrupt. And then say, “Oh, I’m terribly sorry. Yes, you owned the company, but the company you owned just wiped out the stockholders, we have to pay the creditors.”

So worker ownership is a way of fooling the workers and basically wiping them out. I discussed this in my Harper’s article too. And I think I’ve done that in my Killing the Host and other books. So, it’s a con game.

Michael Shilo DeLay

This isn’t quite the worker ownership that I’m imagining because worker ownership, like in the Mondragon Corporation, stock is entirely restricted to the people that are working at any given moment. As soon as you leave the company,

you have to sell your stocks back to the company. So, there's no outside investors whatsoever in a pure workers ownership.

Anastasia Bendebury

And the Mondragon Corporation has also been enormously successful because they have their own banks, they have their own health care system, they have their own university.

Michael Hudson

All those are good parts. The Basque labor unions brought me over one year to go around and lecture to them. The problem is that the Mondragon is against labor unionization. So yes, the workers own the stock, but they're not unionized. And there are some other problems there. And the Basques have a lot of critique of the Mondragon. Although the idea that you're saying, the dream of the Mondragon is a very good dream. But you want to avoid some of the problems that it has in practice.

Anastasia Bendebury

Can we talk about the problems? Because I've always looked at it as being kind of the pinnacle of...

Michael Shilo DeLay

Well, tell him about the tour we did?

Anastasia Bendebury

Yeah. So basically, after we finished grad school, we had no concrete idea of what we wanted to do. And so, we were thinking that okay, well, maybe what we'll do is we'll start a business. But we don't want to start a business that suffers from all of the same capitalist problems that most businesses suffer from. We had read a lot of Dick Wolf, a lot about Mondragon, and so we realized that there's a lot of worker- owned corporations in the United States. And so, we did a tour of them.

Initially, we wanted to make a movie, but we had no idea what we were doing. So, we took a lot of footage that was garbage at the end of the day. But we did talk to probably, I don't know, 25 or 30 different businesses across the country that had varying degrees of success with the model.

And it was everything from, you know, bakeries at the low end to this place in Wisconsin called Isthmus Manufacturing, which creates robotic machines for assembly lines. And they were quite successful in the sense that it was exclusively the employees. They owned the stock. They were able to make their decisions. They were able to make money. They were one of the only American manufacturing companies that didn't have to downsize during the 2008 crash because they were able to get together and be like, "Okay, so instead of firing people, we're going to lower wages for a while, make sure that everybody makes it through the crisis, and then we'll start growing on the other side." And that's exactly what they did.

Michael Hudson

Well, that's not playing the game. Your supposed to make money by screwing the workers. Of course, there are some employers that of course can say, "We're not going to borrow from the bank and wipe out the workers' stock holdings." And I'm sure you're able to find some, but that is not a significant percentage of the economy. And you're not going to get the biggest firms to do that.

And especially if, let's say you're in an oil company, like Standard Oil, how could you do this at a big oil company where you have huge capital investments. If you're going to have sharing the profits with workers, the more labor there is relative to capital, the easier it is to do. But once there are investments in capital, and once you issue stock, that becomes a problem. Suppose you're one of these honest companies, I think Ben and Jerry's had something like that going. They tried to do something like you suggested. They issued stock. The stock was bought out by a big corporation. And all of a sudden, the big corporation took it over and did things its way.

Michael Shilo DeLay

That's the story that we heard over and over again about failed worker ownership enterprises was that they started taking their stock outside of the company. So that the system only works in an absolute sense that under no circumstances can anybody who is not a worker own the stock in it.

And I mean, there's probably pitfalls, but it's certainly solves the problem of polluting the rivers that your workers are living in and things like that, where, you know, in the modern scheme, the investors are just trying to recoup their funds at any cost. They don't care what happens to the town that the factory is in. But that doesn't seem to be a problem with worker ownership.

Anastasia Bendebury

So, I wonder if in order to lay out the potential problems, because I think that you're right, that as long as you maintain these strict rules...

Michael Shilo DeLay

Absolute. It has to be absolute.

Anastasia Bendebury

...it works. Can you lay out some of the problems that you saw with Mondragon?

Michael Hudson

I didn't look that much into it, so I'd much rather you talk to a Basque labor leader about that than me because I haven't been to Spain for quite a few years now and I'd rather avoid that.

Anastasia Bendebury

Okay.

Michael Hudson

But even in companies without a stock, suppose you were in the Soviet Union under Stalin or Khrushchev. In the late 1980s, there were a lot of companies that

didn't have to borrow and their leaders and the managers all got rich by embezzlement. They embezzled money, largely through Latvia, I found out. And there was so much money that was embezzled by the corporate leaders, the KGB, and the army, that there was a huge looting of public enterprises.

You're going to have looters anywhere. You need a very good accounting so everybody really knows what's happening. And we get into technicalities here that are way beyond, you know, what the topic of our conversation is about where the American economy is going. But it's really, in order for what you're suggesting to work, you need a different mentality that goes just beyond what you believe, and the small percentage of people who agree with you believe.

Anastasia Bendebury

Okay, so one thing that I'm thinking of is what about, what about stock buybacks? Because, so from what I understand of stock buybacks, it's, again, I could be totally mistaken, but it's that a corporation purchases its own shares and is now no longer as much of a public company as it was previously.

Michael Hudson

No, it's just as much as it was before. Essentially the shares are destroyed. It doesn't really have them. Stock buybacks – Lazonick has talked about this. I have a whole chapter of it and Killing the Host.

Now, if you buy back your own stock, you're making money not by investing to increase the means of production, by building more plant and equipment and output, you're just pushing your financial engineering, not industrial engineering. Stock buybacks should be heavily penalized. For every dollar of stock, you have to pay a fine of \$10 – basically, that should be the rule. And if you do that for more than a year, you're automatically sent to jail for 20 years.

Anastasia Bendebury

Can you elaborate on why they're so bad. I mean, the jailing...

Michael Hudson

Yes. Making money for stockholders and the financial sector doesn't add to production at all. If you have that much money, you could pay the workers more, you could invest more. If you don't have anything to do with the profits you're making, then you shouldn't have that big profits. Lower your prices instead of charging exorbitant price. Making money by financial engineering is completely unproductive. And the whole industry, as Keynes said, "All these people should be unemployed." Keynes said, "We don't need them at all." And he was right. They're stock manipulators.

Anastasia Bendebury

Okay. So, let's say a corporation decided to do a long-term stock buyback. And what they did is instead of destroying the shares, they would then distribute them to the employees exclusively. So, you can take a public company...

Michael Hudson

You don't need to buy them back; you can just give it to them. I see you're saying, that's so utopian, I don't even want to get into that. I'm good at describing how the economy works. There's no way that I can get into this. You're looking for a solution to the problems that there are today. We don't have a problem; we have a quandary. There is no solution to a quandary.

You're trying to solve it, forget it. You can't solve it. It's nice for you to think, "Wouldn't it be nice if they could work this way?" Of course, it would be nice if corporations could buy back the stocks and give it to the workers. But look at how bizarre this would be for an oil company. Suppose you have 10 employees that make \$10 billion a year for the company because the 10 employees run the well. Are you really going to say we'll buy back the stock and 10 employees each get a billion dollars? That's crazy.

And that would be the case with any highly capital-intensive corporation. It would make some labor people much richer than the rest of the labor force. It's an anti-social solution to benefit a small group against the other, and it's so dysfunctional, that I'm sure that the Chicago school would love to push it, because it can't possibly be done because it's so unfair and predatory.

Anastasia Bendebury

But let's take something like Walmart, for example. So, Walmart is notorious for generating an enormous amount of profit for the owners, very little profit for the wage earners. And so, let's say that some revolutionary arm of the Walton family becomes the controlling CEO and takes over the board of the company. And they're like, "You know what, we have a legacy of doing really really screwed up things to our workers. And so, what we're going to do is we're going to buy back all of our shares. And as we buy them back, we will redistribute them equally to the workers."

Michael Hudson

Why not just pay the workers more? Instead of making the profits, why not ease the working conditions? Why not say we're going to have a four-day work week and we're going to have people work six hours a day. We're going to pay them more. We're going to give them more vacations. We're going to give them free medical care. And we're going to contribute to their pensions. Why do it financially? You don't need a financial solution to a real economic problem. The real economic problem is workers' conditions. What is their standard of living? It's not how they're going to own shares of a company that acts by being predatory and making money in a predatory way, big profit and profiteering, like a Walmart does.

Michael Shilo DeLay

It seems like the fact of the matter is you don't want the workers to be comfortable because when they're comfortable, they're functionally revolutionary.

Michael Hudson

Yes, I think that's certainly how employers feel.

Anastasia Bendebury

Interesting. I mean, you're painting a really grim picture of a problem that has absolutely no solution.

Michael Shilo DeLay

I don't think so.

Anastasia Bendebury

No? You don't think so?

Michael Shilo DeLay

No, I don't think so. I think we've outlined a new Constitution here, basically.

Michael Hudson

Well at least a revolution. Not a Constitution yet. A revolution.

Michael Shilo DeLay

Well, I don't think a revolution is a good idea, unless we have a better idea of what comes next. I'm actually really opposed to revolution that doesn't have a better solution in mind.

Michael Hudson

Yes.

Michael Shilo DeLay

And so, my job as a citizen is to imagine what that new state looks like so that I can be sure to back the right revolutionary party essentially.

And so, I just want to make sure that I didn't miss anything, too. So, the better state would have debt forgiveness for basic human rights services like housing, food, healthcare. It would have no private finance for elections. It would restrict usury to the commercial sector so the non-earning services are taxed the most. And then it would be oriented towards some sort of higher power that essentially

meant the social harmony of the citizens and the well-being of the citizens. Did I miss anything?

Michael Hudson

Sure, in principle, that's a good start. And we've gone for three hours already, so I can't get into more detail. But that's basically it.

Anastasia Bendebury

Is there anyone that you have come across as you have wandered through the halls of power, who you really admire?

Michael Hudson

Well, I was the economic adviser to Dennis Kucinich and he was a very good guy. He'd be the guy that I'd recommend.

Michael Shilo DeLay

I went to high school with his daughter, coincidentally – Jackie.

Anastasia Bendebury

I mean, as a whole, at the upper echelons of the world, do you find people that are oriented towards good? Or do you largely find people that are oriented for their own benefit and accumulation in the short term?

Michael Hudson

It's very hard for me to know. Most people try to benefit themselves by doing good if they're in a country like China. And I've spent a lot of time talking to Central Committee people there and faculty members and students there, and they all seem to want to do good.

And I remember 10 years ago, when I was lecturing in China, I got a feeling from the students that I talked to, they really felt that they could change society. They felt that Milton Friedman and the neoliberals had come in to Shanghai and

pressed sort of the privatization that had been very fortunate because it did unleash a lot of entrepreneurial invention, but it also led to a lot of local corruption. And they wanted to go into the government and really clean out the corruption and make it work the way it should.

And I don't think there's any other country that I'd been in where people really felt that they could play a role in making the economy work much better. And in the process, by supporting these objectives, their own career would be taking off as a good administrator.

Anastasia Bendebury

Okay, so I don't want to create a dichotomy of you know, that the United States is better than China or China is better than United States, because I think that it's one of those topics that you could probably start to take apart and point into totally opposite directions. But it seems like the state is particularly repressive in China. Like we saw what happened during COVID, right? And so, people were locked into their apartments. People were basically at the mercy of the government saying, you know, "No, this is what we're going to do. You have no voice. You have no option." And it was pretty dark to look at from the outside because for all of the problems that the United States has, and for all of the political wrangling that happened over the course of the last few years, at the very least, we weren't barricading people inside their apartments.

Michael Hudson

Well, they were very frightened. And the problem is when they raised the restrictions, my faculty friends from Hong Kong, went to China, including the whole group that does my typesetting, and everyone except one got COVID when they went there – and some of them got long COVID. So, I don't know how one could have handled the situation differently. They were desperate at trying to prevent themselves from getting sick. Of course, it was draconian.

My wife and I haven't gone out to restaurants since COVID began here. We haven't gone on trips, and I haven't taken airplanes because I'm trying to protect

myself from COVID. I wear masks. I go into the city only to the dentist, basically. So that's a real problem.

I don't think that's inherent in either China's system or American system or any political system. It's how a government was operating under distress conditions where it really didn't know how to protect itself. So, I think that's a whole different set of problem from the kind of economic dynamics that we've been talking about.

Michael Shilo DeLay

I had some friends, particularly when I was in New York in grad school that had come from China to the United States – actually a lot of the people I worked with. And I got the sense that they felt like, well, first of all, they wanted to be here – so that's an interesting point on its own. But there was this sense of restriction like it was very difficult to find out what was happening in the world inside of China. There's a lot of control of the information flows. There's a very real sense of you can't speak out against the powerful parties. And of course, that's creeping into America now too, which I never would have thought would have happened. What are some of the problems that China is experiencing despite the economic boom?

Michael Hudson

All I can talk about are economic problems. I can't talk about political problems.

The economic problem is the same problem that America has in the Constitution between federal and local localities. How are the local villages in China going to finance their own spending? Well, one of the ways they have it is to sell off the public land to developers. That ends up being debt finance. Even though the government creates the money, they have a debt problem, and a real estate debt problem.

So, these are economic problems. And they're trying to figure out some way of solving them politically. But every single country in the world today has the same problem between federal and state and local. Certainly, that occurs in the United

States. So, a lot of these problems that countries are having today have a common denominator among them. I'm not a specialist in China's economy; I'm a specialist in the US and the European economies.

Michael Shilo DeLay

In the new Constitution, in the better state, is there a shift in balance of power towards the localities as opposed to towards the federation?

Michael Hudson

I haven't even thought about making a new Constitution.

Michael Shilo DeLay

We been thinking about it all afternoon.

Michael Hudson

In principle, I know it's there. But it takes so long to draft something like that. It's just outside of the area that I talked about.

Michael Shilo DeLay

Okay, like maybe an easier way of putting it is would it be economically beneficial to put more power in the hands of the localities versus the federation's?

Michael Hudson

The question is how do you compare economically beneficial and politically beneficial? One of the problems in America certainly is states' rights. That's always been pretty bad. And it's the fact that you can have a state like Delaware having a very pro corporate laws that the whole country's corporations want to live in Delaware. And have people like Biden taking their case against the voters as a whole. Or states that have no usury limits, so all the credit card companies move to the northwest states. So how are you going to get that kind of a balance? This is a kind of political thing that just isn't my topic.

Anastasia Bendebury

But so, in terms of a more stable economic system, do you imagine a larger federal government that takes onto itself more and more services, like health care, like infrastructure, like housing, and is in charge of creating the stock of that that is then distributed to the people?

Michael Hudson

Ah, that sounds very bureaucratic. The fact is you obviously need a symbiosis. And that symbiosis is going to depend largely on the political character of the country to begin with. So, I'm not sure there's any one size fits all solution to that. But certainly, you don't want a Stalinist state economy.

And what enabled China to take off was, amazingly enough, Milton Friedman going and said, "Let private enterprise develop, too." And so, I think they said one reason that the federal government in China doesn't control what's happening locally is the local mayors have a lot of control over their local villages. And I think the philosophy in China was "Let 100 Flowers Bloom" – let's see what works. So, I think you need to go through an experimental stage. You need some kind of, you'd almost say, a political competition to see what works. And I think that's how they began, and it certainly worked out for them.

Anastasia Bendebury

Have you looked much into special economic zones?

Michael Hudson

No. No, they're usually tax-free zones to benefit international corporations.

Anastasia Bendebury

Yeah, cuz I know of a couple that are in South America. One in particular that's in Chile somewhere, that's kind of this libertarian Bitcoin stronghold, where a bunch of people have decided that they don't want to bow to the United States government or whatever government is hosting them.

Michael Hudson

I don't want to get into it. We're sort of at the end of the discussion. I don't even want to get into libertarianism. I'm not even willing to waste my time on it. It's loathsome and the people in such zones with that ideology are loathsome.

Michael Shilo DeLay

Is it because they shirk responsibility for the infrastructure?

Michael Hudson

No, they're just antisocial personalities. I have limited time in my life to spend and I don't want to spend my time having to fight in the gutter, in the intellectual gutter, with University of Chicago libertarians or these people. I'd rather talk to intelligent people, not to economists.

Anastasia Bendebury

Do you identify with a certain school?

Michael Hudson

I defined myself as a classical economist. Again, the whole 19th century classical economists from the physiocrats and Adam Smith, right down through Simon Paton in the United States, the first economic professor at the first business school out of Thorstein Veblen.

Anastasia Bendebury

And is anyone currently doing a good job of teaching this kind of economics that you look to and you really respect?

Michael Hudson

Well, most of the people who are teaching it just got disgusted and quit like Steve Keen, who you had on your show. They're really not many. A lot of the UMKC people went to Bard College to work at the Levy Institute and teach there. And

there are a few UMKC graduates elsewhere. But they've all moved on, pretty much.

Anastasia Bendebury

Is there any will for people like you and Steve to start a new institution that could rival the University of Chicago? Or is that just too hard of a task to take on?

Michael Hudson

It costs a lot of money. Somebody would have to decide we want to have these people come over. Well, I'm 84 years old, so I'm not going to begin teaching again. I spend all my time writing.

So yes, just like Warren Mosler tried to fund UMKC. He did it but then he was supposed to get a matching fund of a million dollars from the Missouri or Kansas City Congress and once they found out that he wasn't a right-wing Republican, they welched on the deal. And the first thing they did was fire the neoliberal department head and so the head of the university made her the dean in charge of their financing. So, you know, you're really going have a fight in trying to introduce reality economics anywhere where the whole academic system is based on unreality economics.

Anastasia Bendebury

Do you think that it's possible that there's a super ethical billionaire out there that would be interested in funding something like this? Or do you think that there's something inherent to accumulating such capital as that prevents you from thinking that way?

Michael Hudson

Nobody's, nobody's told me about any such funding. The big foundations like the Ford Foundation and George Soros are not interested in the kind of ideas that I'm talking about. So, I don't know of any.

Anastasia Bendebury

Yeah, I mean, I want to believe that it's possible to accumulate massive quantities of wealth and then to maintain a philosophical and ideological alignment that then wants to help people live better lives. But I have yet to really see that happen.

Michael Hudson

You've fallen for junk economics. The idea is people become richer they don't need money, so much. The Greeks had it right. Wealth is addictive. Once you have wealth, you want more and more of it. It's addictive. That's what Aristophanes plays are about. That's what Aristotle was talking about. That's what Socrates was talking about. Wealth is addictive.

And if you have kids, once you inherit wealth, your IQ goes down 10%. And the next generation, it goes down another 30%. And so, they don't have the imagination. Wealth seems to be like a disease that attacks the brain cells in the imagination. And you just have a lower and lower self-esteem because your wealth is so much more important than you are, and you're just end up serving it and you're into a blind alley.

Anastasia Bendebury

Well, how do you account for these multi-generational, super wealthy families like the Rockefellers or the Hapsburgs or something?

Michael Hudson

Yeah, well, I know, David, David Rockefeller. And he was the grandson of John D. And he was certainly always very nice to me, supported my ideas, and let me write whatever I wanted to. And said that if the bank didn't find it in their interest, they wouldn't publish it, but he wanted to know what I was finding out. However, by the time he was head of Chase Manhattan, he was surrounded by people who said, "We're here to protect you from people who just want to take advantage of your money."

And so, he had a lot of people saying that they wanted to protect him. And they introduced him to all sorts of international foundations that you'd probably call

fascists. What are some of them...before there was Davos, there was the Bilderberg people were friends of his. He let himself be on the Trilateral Commission. He wanted to do the right thing. And he genuinely wanted to do the right thing. He'd be your ideal!

When the Treasury wanted him to build a Chase Manhattan Bank in Saigon so that the American army could put money in a US bank, and it wouldn't end up in a French bank turned over to de Gaulle, he said, "Okay. Even though we're going to lose money on it, building a home bank without windows, you know, I want to be a good citizen and do the right thing, and I'll do it."

He wanted to do the right thing, but he was surrounded by peer pressure by all the people around him saying, "You know, here are people who want to help you, the Bilderberg and the Trilateral Commission, all of these." And so, he later, I think at one point, he said, "Well, maybe I wasn't too careful in some of the people that I associated with." And I thought, you know, that he ended up being sort of a figurehead.

And many of the people who inherit a lot of wealth end up more as being figureheads than deciding. Like Caesar did, and some of the other Roman leaders, or Cleisthenes in Athens, I'm really going to reshape society. And here's how I'm going to do it. I don't see any one wealthy person that really wants to reshape society. More they want to be a good citizen for a society that doesn't want to do good in the world.

Anastasia Bendebury

And so, what do you think is the most important lesson that we can take from antiquity?

Michael Hudson

Ninety-nine percent tax on inherited wealth – you'll raise the IQ, and the imagination, and the courage of family so they won't be crushed by inheritance anymore. And realize that if you don't wipe out the debts, they're gonna lead to a

dark age and austerity, and you're going to end up looking like one of the victims of an IMF stabilization program.

Anastasia Bendebury

Humm.

Michael Hudson

I need to leave soon.

Michael Shilo DeLay

Well, this has been really really valuable to me because I really struggled to imagine what the better state would look like, and I feel like you've answered a lot of questions about that for us.

Michael Hudson

I can't talk about the better state, I can talk about a less bad economy. I can talk about what's wrong with the economy better than I can talk about a better state. Once you're...

Michael Shilo DeLay

Well, in so much as the state is responsible for the economic outcome, and of course, that is a huge part of the part of the puzzle. So...

Michael Hudson

But if you'd begin by saying what's wrong with the economy, that diagnosis is going to lead to the remedy.

Michael Shilo DeLay

Nice.

Anastasia Bendebury

I like that.

Michael Shilo DeLay

Thank you so much for your time. This has been absolutely riveting for me. I really mean that from the bottom of my heart. I appreciate you coming by so much.

Michael Hudson

Yeah, when you go to transcribe it all?

Anastasia Bendebury

Soon. In the next few weeks we'll have it live and ready to go.

Michael Hudson

Live? Are you gonna write it out? You're gonna transcribe it. You promised to originally.

Anastasia Bendebury

Well, we'll find a way to do it.

Michael Hudson

Yeah, you had promised to. People are not going to listen for three hours.

Michael Shilo DeLay

You'd be surprised.

Michael Hudson

Well, the reason that I agreed to go on, I never go on a show that people are not going to be willing to transcribe it. So, I gotta hold you to that.

Anastasia Bendebury

Well, we'll do it.

Michael Shilo DeLay

All right, we'll do it. We'll do it. We'll transcribe this one.

Michael Hudson

Okay.

Michael Shilo DeLay

It's honestly something we've been meaning to do for a while. We have a website that's kind of a waste of space right now and we've been meaning to figure out some program to transcribe.

Right now It's just Anastasia and I doing everything. So, we edit the podcast, we research the guests, we reach out like it's a pretty much, it's a more than full time job. And so, these things kind of fall by the wayside.

Anastasia Bendebury

But many many people have been asking us for transcriptions. You are the first guest that is holding us to doing it and so you will be the dawn of a new era for DemystifySci. I appreciate that.

Michael Hudson

Other shows have said the same thing. And they said, "Boy, we're really glad we started, it increases the viewership."

Anastasia Bendebury

Yeah, I think that you're onto something.

But I genuinely appreciate how much time you gave us and how much you've been thinking about these things and how much you've written and, and your passion. You know, you said you're 84 and it doesn't seem like you have any signs of slowing down. So, I hope that you continue to make the world a better place.

Michael Hudson

Thank you very much.

Anastasia Bendebury

Thank you.

Michael Shilo DeLay

Thank you. Yeah, have a great rest of your day...

Anastasia Bendebury

And enjoy lunch.

Michael Shilo DeLay

I look forward to what comes next from you.

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NATO failed in Ukraine against Russia. Now it's targeting China



NATO failed in Ukraine against Russia. Now it's targeting China

By Radhika Desai and Michael Hudson. 93.1K subscribers

Political economists Radhika Desai and Michael Hudson are joined by geopolitical analyst Pepe Escobar to discuss how NATO has shifted from its proxy war against Russia in Ukraine to targeting China in the Pacific.

RADHIKA DESAI: Hello, everyone, and welcome to the 15th Geopolitical Economy Hour, the fortnightly show on the political and geopolitical economy of our times. I'm Radhika Desai.

MICHAEL HUDSON: And I'm Michael Hudson.

RADHIKA DESAI: And today we propose to discuss NATO in the aftermath of its recently concluded Vilnius Summit, exploring a variety of questions about how its assault on Russia is faring and the prospects of extending its sphere of operations to what NATO leaders like to call the Indo-Pacific.

RADHIKA DESAI: And in order to do this, on today's show, we are joined by none other than Pepe Escobar. Many of you will, of course, know who he is.

He's a Brazilian journalist, geopolitical analyst and author. Pepe, welcome to our show.

PEPE ESCOBAR: It's a huge honor and pleasure to be with you guys and with this fantastic audience, of course. And let's rock.

RADHIKA DESAI: All right. Let's let's rock. So basically, NATO is a huge topic and it's surrounded by a considerable amount of smoke and a vast number of mirrors.

So we have to try to understand we have to sort of push through all of this to try to understand what it is. It calls itself a defensive alliance, defensive.

The fact of the matter is it was created as part of the Cold War, which the U.S. launched more or less single handedly before the Second World War was even over. It launched it against its own Second World War ally.

And again, the United States did this, you know, launched the nuclear bombs on Hiroshima and Nagasaki as part of this launching of the Cold War. So there is no way in which this war is defensive.

And what's more, it's also was an offense against communism, of course, but it has also been an offense against the third world.

Essentially, NATO was also set up as a bit of a rival to the United Nations, which the U.S. liked less and less as it began to include more and more countries from the third world.

Alliance? What sort of an alliance is it in which one about one member seeks to essentially damage and harm other members? That's what the United States is doing, for instance, to Germany today. That's what it did to the United Kingdom all those decades ago at the end of the Second World War.

Much is also made of NATO's unity. In reality, the effort, the mountains of effort required to paper over the cracks that are widening in NATO are, in fact, no longer even enough. And the cracks are showing through.

The North Atlantic? What do you mean North Atlantic? NATO has long abandoned its alleged sphere of operation and it has penetrated more and more outside that sphere, not only within Europe, but is today, of course, as I've already said, preparing to penetrate the Indo-Pacific.

One could lengthen this list of the lies that surround NATO. But why don't we just launch into our conversation? We've decided to structure it around a series of questions. So let me just start us off by posing the first one.

The first question we have is simply, where did the Vilnius Summit leave NATO? What are the principal features within the alliance that it exposed?

Maybe we can start with you, Pepe, since you are our guest.

PEPE ESCOBAR: Oh my God. Can I throw a bomb? OK, guys, look, I have had this pleasure of following virtually every NATO summit for the past 15 years or

so.

So the evolution or the involution of NATO as a global Robocop has been distinct year after year. In fact, I started calling NATO global Robocop as early as 2010, 2011, 2012, because that was already obvious.

And then when we got under a fog of war, Rasmussen as NATO General Secretary, usually they get a deranged Scandinavian as NATO General Secretary. Now the deranged Scandinavian is, of course, that piece of Norwegian wood, Jens Stoltenberg.

So it's very, very hot.

I remember when I was in Sweden years ago and I was on a geopolitical roundtable in a university in southern Sweden, when I started talking about Rasmussen, my Swedish audience erupted in anger because they knew, they were postgrad students, they knew very well who Rasmussen was and they said, look, he's destroying the reputation of Scandinavia as rational actors.

And they knew it very well. Stoltenberg is not as rabid as Rasmussen, but he is sold basically by the people who control NATO, as you know, better, much better than I do, straight from Washington. And obviously those guys at NATO headquarters in Belgium are just following orders coming from Washington.

Stoltenberg is sold as a sort of a relatively polite face of NATO, but the message is the same. And after the start of the special military operations, got even worse.

So anything that comes from the mouth of Stoltenberg, we know that it's coming from the mouth of the rabid, Straussian neocon psychos in D.C. And they have their Scandinavian guy, you know, just voicing them.

The problem is he's taken seriously all across Europe. I mean, seriously, Ursula von der Leyen now is the butt of jokes from Spain to Greece and everywhere in between. But Stoltenberg is actually taken seriously. And that's what makes them even more dangerous.

If you talk to an average citizen, let's say here in France or in Italy or in Greece or in Germany, they take NATO's pronouncement seriously. And the NATO 24-7 spin on the war against Russia, which basically says, no, we are not involved. We are not at war with Russia. We are not part of the war.

And then he announces the umpteenth package coming either from the West, from the EU or NATO countries as well against Russia. So the problem is, most people, because of the mainstream media barrage all across Europe, they don't get into the specifics.

So they really don't know that NATO is up to their necks and beyond in a war against Russia.

The way Vilnius was covered by European mainstream media was that, no, once again, we are all united, the 27 of us against Russian aggression, the usual.

But no specifics and much, much worse, only very, very sparse mentions of NATO extending the Robocop mandate to the Indo-Pacific and to the South China Sea.

So in fact, what we're seeing for the past year and a half, let's put it this way, is that the North Atlantic Organization now has taken over the Indo-Pacific and the South China Sea. So they actually moved to Asia.

So it's not North Atlantic Organization. It's Northern Hemisphere, Including the Far East Organization.

But this is not explained, obviously, by, for instance, The Economist, The Financial Times, major newspapers in Italy, Le Monde here in France, etc. So obviously, the average European citizen is absolutely clueless about that.

And the fact that the war, which is being lost dramatically in Ukraine, the narrative has been changing by the Americans, not yet by NATO. But on terms of NATO policy, there is a 4,400 page not-so-secret document at the end of the World News Summit, which categorizes their next steps in Russia, but also their next steps in the Indo-Pacific. And that's the most worrying part of them all.

And once again, I would say 99% of EU citizens are completely oblivious to all of that.

MICHAEL HUDSON: Well, I think the purpose of NATO from the beginning has always been to promote a unipolar U.S.-centered order. And it began with Europe, because NATO, in effect, has taken over European foreign policy, and even domestic policy. It's written into the EU constitution.

And certainly, you've seen the effect of the war in Ukraine is to make Western Europe a U.S. satellite. It's cut off the trade with Russian gas and oil and fertilizer and other raw materials, making Europe dependent on U.S. suppliers at much, much higher prices.

So the effect of NATO so far has been to sort of break away Europe from what seemed to be an increasingly close relationship of mutual economic gain between Germany and other European countries, trading and investing with Russia for low-cost raw materials, and with China for low-cost manufacturers.

Well, the U.S. plan in just forcing a military solution in Ukraine has been to break away Russia's ability to support China, to support Syria, to support Iran

and other countries. The whole idea of NATO was to carve away any group that would seek to be independent of the U.S. world order.

And of course, the ultimate aim, as President Biden has said again and again, is China is the number one enemy.

Well, you can't go against China right now, because it already has so much support from Russia and other countries. So NATO thought, well, how do we isolate China? We first of all have to break away its potential ally in Russia.

And if we have a war in Ukraine, the neocons actually believe that the Russian people would rise up against President Putin and have a regime change, and the regime change would bring another Boris Yeltsin-type Western-oriented character.

Well, the reality has been just the opposite. Hardly surprising, when a country is under attack, like Russian speakers are under attack in eastern Ukraine, well, the tendency of any population is to rally behind the leader.

And that's why Putin's approval rating has gone up to 80 percent, much higher than any American or European leader.

So what's happened is that instead of NATO breaking up China, Russia, and other countries seeking to pursue their own policy, it's driving them all together out of simply the need to protect their own economies from the U.S. sanctions and from the U.S. plan to break them up.

And when the United States comes right out and says China is our enemy, Russia's our enemy, and all their allies are enemy, hardly by surprise, the enemies get together.

So the result is that NATO really, instead of isolating the members of the BRICS and the global majority of Eurasia with the global south, they've driven

them all together.

I don't think there's any truth at all in the rumor that the heads of NATO are really working for China's foreign policy department. I don't think they're really in the pay of China's government to make sure that Western Europe is driving all the other countries together under Chinese and Russian domination.

And I don't think they're really working for the Russian State Department, either. But if you think of them as working for Russia and China, you realize suddenly you can explain all of the consequences of what the NATO policy is bringing about.

It's driving the rest of the world together and being an integrating force for the rest of the world by making an iron curtain, isolating the United States, England, and Western Europe away from the rest of the world, leaving the west of the world, the BRICS and the global majority to make their own new world order.

RADHIKA DESAI: I mean, I think all of these are really interesting points. I mean, if I were to put, just summarize in one word what, where, you know, where Vilnius leaves NATO, I would say that word would be failure.

Because even though NATO has a lot of things going for it, including, you know, governments in places, important capitals like Berlin that are willing to do everything that NATO wants, in fact, NATO is failing to achieve its objectives.

And the key way in which it is failing is, of course, that all the help that has gone to the Ukrainian membership, they have essentially not been, they're essentially going to fail in the battlefield.

Sanctions, Michael, as you mentioned, have already failed to bring Russia down. Now there's going to be failure in the battlefield.

And if there is failure in the battlefield, then I think that the divisions within NATO, which are already quite apparent, I mean, the fact of the matter is that the various Eastern European countries wanted to give Ukraine membership or at least some sort of map to membership.

And this was not permitted by Germany for its own reasons, but also by the United States. And President Biden cannot afford to be seen as essentially, you know, increasing the U.S.'s or NATO's involvement in this war in any way.

So the fact of the matter is that in this it has not succeeded either.

Moreover, the military aid, you know, just think about this, the size of the actual military industrial complex possessed by the NATO countries collectively is enormous.

But the fact of the matter is that still they have been unwilling to a considerable extent, but also unable to supply Ukraine with the quantity and quality of the arms that it needs so that it cannot succeed, could not succeed. And so the so-called counteroffensive is failing.

And that's the background against which the Vilnius Summit took place. With that background, even though it added Finland and hopes to add Sweden, having overcome President Erdogan's limitations by offering him vast quantities of money, et cetera.

The fact of the matter is that this alliance, the cracks within it are already showing.

And I also feel that success against Russia is very critical to extending the alliance and its sphere of operations to China, because the fact of the matter is that if they can't succeed against Russia, there's definitely, they're not going to succeed against China.

And what's more, there was already dissension over Russia. The fact of the matter is that the various NATO members are so deeply involved economically with China that they are not going to, they're going to be even greater dissensions with essentially targeting China, even though all Washington's puppets in various European capitals are huffing and puffing to try to achieve this by talking about de-risking and what have you.

People like Ursula von der Leyen are in the forefront of this effort, but I don't think they're going to succeed for reasons, I think, Michael, that you also mentioned.

The cost that these countries are going to have to pay for these wars costs not just militarily, but also economically. The consequences of the economic disruptions that it's going to bring is going to create dissension within these people, is going to create popular discontent. It's going to destabilize governments.

And what's more, it's also going to create dissensions within the elites, because many of them have reasons to continue doing business not only with Russia, but also with China, in particular with China.

So in that sense, I would say that the Vilnius Summit has simply shown the dysfunction of NATO to an even greater extent.

Maybe we can go on to the next question, which is how is the proxy war on Ukraine faring? What does it mean for Biden and his larger strategy of uniting so-called democracies against the so-called autocracies and targeting China?

I've kind of already segued into that topic.

PEPE ESCOBAR: Well, I've been writing about this stuff for a year and a half, so I hate to repeat myself. But OK, let's go straight to the point.

NATO's humiliation, full humiliation, is just around the corner. And compared to it, Afghanistan does not even qualify as a mini Disneyland. Just wait. Because in terms of the counteroffensive, it's already dead. It lasted three weeks and it's already dead. And there won't be a counteroffensive 2.0.

First of all, they have no personnel, qualified personnel. Second, they have no weapons. Third, they are being demilitarized on a daily basis, non-stop.

Because if you follow any good writing in English, of course, if you don't follow the ones writing Russian or Chinese, it's understandable in the West.

But if you follow the very good ones writing in English, starting with Andrei Martianov. Andrei Martianov is very funny because technically he's an Azerbaijani. He was born in Baku, but in the old Soviet Union. But Andrei lives in Western USA.

He writes in English. His blog is excellent. His podcasts are also excellent. And I would say, without a shadow of a doubt, in English, he's the number one military analyst of what's really going on in the war.

And we have excellent American analysts like Colonel Douglas McGregor, Scott Ritter, etc. They all, in military terms, they all say the same thing. This thing is dead. This thing is practically over. The thing is how long [...] NATO can get away with selling a fiction to a global audience.

People in Germany, France, and Italy, the top three economies here in Europe, are already asking questions. I mean, industrialists, academics, they are not, of course, stigmatized in mainstream media, underground channels, parallel discussions, roundtables of very well-informed people, including intelligence people, French, Italians, etc.

They say, look, there's got. We need to find a way out of this, but it's impossible because everything is controlled in Washington by those Straussian neocon

psychos.

Even them, not them, even the so-called Biden administration, which the way I've been writing for years, it doesn't exist. What exists is the Biden combo.

Biden is, as we all know, he cannot find his way to the next room. Everybody knows that. So the decisions are taken by the combo.

And among the combo, the visible faces, which makes them even more toxic, are the toxic trio. Sullivan, Blinken and Nuland. But the guys who actually make these decisions, they are in the back. They never show up. So that makes it even more dangerous.

We have an idea of who they are, but they never show up. They don't need to. The messengers spread the message. And they are trying to change the narrative badly because they know that there's going to be a massive humiliation just around the corner.

The elections are getting closer and closer. You cannot go to the American public next year and present a NATO humiliation, which is obvious for 88% of the world, as a victory and try to get away with it. It's absolutely impossible.

People who bother to look at what's really happening on the ground in the battlefield in Ukraine can see for themselves. So now they're trying to change the narrative.

And the best example these past few weeks, in fact, these past few days, was Edward Luttwak, which you all know as, let's say, number one or number two Pentagon advisor for the past 50 years or so.

He gave an interview that is absolutely incandescent, where he's basically changing the subject to war on China.

So this was, I would say, the official entry of the real war is against China, not in Ukraine, into mainstream media. It's on YouTube. Everybody can watch it. Soon, if people start watching, soon we'll have millions of views.

And Edward, as you know, is a very, very clever operator. Even when he doesn't say it, he's spelling the whole game, in fact.

Look, William Burns called Naryshkin. William Burns, head of CIA, Naryshkin, head of Russian foreign intelligence. This is true. Burns did call Naryshkin. They have a very important phone conversation, but not exactly what Edward is spinning.

Basically, Naryshkin was trying to explain to Burns, look, if you, CIA, start mounting operations inside the Russian Federation, there are going to be repercussions for you guys. So, you know, go slow.

Edward's, basically, Edward's spin was, no, Burns told Naryshkin that Putin and Biden should close a deal.

Putin is not going to close a deal with the Biden administration. Forget it. The Biden administration knows exactly what Russia wants, which is exactly what Russia wanted in December 2021. Indivisibility of security. You guys know this very, very well. In our audience, I'm sure it's familiar with that.

Those letters that were sent to the Pentagon and the White House and got a non-answer. Also sent to NATO. It's all about indivisibility of security for Europe and for the post-Soviet space. And at the time, the Americans ignored it.

So now they want to go back to the table and discuss with the Russians. The Russians know very well when they receive a yes, no, or a no, yes, which was the case. So there's nothing to discuss.

And the Russian foreign ministry, the minister of defense, in putting himself over and over again has said, look, our set of conditions to end the war are there. The Americans know it very well.

We can finish the whole thing with a phone call. They don't make the phone call that really matters. It's not Bernstein or Rischke. It's the White House to Putin. This one is not going to happen anytime soon. But he's still trying to find a way out.

So if you think that this came straight out of a Kafka novel, yes, it did. And it keeps going.

RADHIKA DESAI: How and when do you think the war might end?

PEPE ESCOBAR: There are two short answers, Radhika. One, with the phone call, the war stops tomorrow. And they all go to a negotiating table somewhere in Finland, in Kazakhstan, in Geneva.

And obviously there will be no agreement because the Americans will refuse to accept indivisibility of security. Everybody knows that. So there is no peaceful solution to this war.

The only solution for this war is a complete humiliation of either side. As we look at the battlefield, we see that the humiliation of NATO is just around the corner, literally.

And it doesn't matter if you send F-16s in six months or in one year. It doesn't matter if you have more Storm Shadows from Britain. It doesn't matter if you send 1,000 Leopards from Germany. It doesn't matter.

And it's very, very funny because even Putin himself is saying, look, whatever they send here, it will be incinerated. And he says that casually now. Before

that, the Russian Minister of Defense was even trying to be relatively diplomatic.

And now the Russians are even laughing about it because they are annihilating so-called top-of-the-line Western weapons with old Soviet weapons, modified Soviet weapons as well. So is this going on for another three months? It's very possible.

And there is going to be some sort of Russian, let's say, crypto-offensive trying to take the whole of the east of Dnieper. They can take over everything.

Another possibility, in the next few months or until early next year, go all the way to Odessa, which is something that every military analyst in Russia was saying since February last year. We have to go all the way to Odessa now, soon, immediately.

So maybe this is going to happen. But the Russian Minister of Defense has different scenarios for what happens after what happened in Bakhmut, which was this World War I thing, absolutely devastating, lasting six or seven months.

But it was a rehearsal to what the Russians might do when they really decide to get into war. So what Putin said a few months ago still applies. We haven't even started yet. And they haven't.

Because their best weapons are still in the rear guard. Their top battalions are not part of the fighting yet. They are using their hypersonic missiles sparingly when they have a very specific target like that bunker near Lviv in western Ukraine that they destroyed a few months ago with one Kinzhal penetrating underground.

And then nobody talked about it. The Pentagon didn't talk about it. The Russian Minister of Defense didn't talk about it because this was too sensitive. A lot of NATO people were killed in that Kinzhal strike.

So the Russians are fighting with one hand behind their backs. No question. And with velvet gloves. But now, after all these attacks inside the Russian Federation including the second attack against the Kerch Bridge and attacks against civilians in Russia, they are starting to lose their patience.

They have the possibility to increase lethality to any degree you can imagine. They don't want it for the moment. They always leave a window open in case the Americans decide to start talking.

And that brings us to an extremely complex matter which unfortunately we don't have time at least today to talk about it, which is divisions at the top in Russia.

There are oligarchs who are pro-ending the war. There are oligarchs who want to extend the war indefinitely because they are making a lot of money out of it. There are pro-EU people very, very close to the Kremlin. And there are the Siloviks and the ultra-nationalists who say no, we should cut off the head of the snake tomorrow in 20 minutes, which they can if they want to.

So there are divisions inside Russia and at the highest levels. There is no division in terms of accomplishing the goals as fuzzy as they are of the special military operation.

Demilitarization of Ukraine is on the way. They did it at least 50% if not more. Demilitarization of NATO is also working because they did it.

Germany, they don't have shells for one week if they decide to go into a war. Their Leopards are gone, not to mention the other ones.

Which leads us to the most dangerous element in all that, which brings us back to our NATO discussion: the Poles, the rabbit hyenas of Europe. The Poles and

the Baltics are cultivated by the Americans as their new strike force considering that the Ukrainian strike force is practically gone

And that would assure the war entering another even more complicated stage and with no end in sight. The possibilities of this thing getting worse of course are endless but this one I would say is the number one.

Subcontracting the next offensive to the Poles with help from other NATO mercenaries. Forget about Ukraine, now it's going to be Poland independently, not part of NATO because they're doing this on their own, NATO is not involved.

And then we have a different actor on the Ukrainian battlefield because the Poles, their agenda as all of us know, is to annex Western Ukraine and they think they have a golden opportunity that they never had before in the past few decades to do it.

So I'm sorry if I'm being so nihilistic but.

MICHAEL HUDSON: Well you may sound nihilistic but I think what you said Pepe is exactly what was being discussed at Vilnius and NATO. I think all the NATO people are in agreement with you.

What we're saying is no longer on the outside as a minority view. What you said is the majority view of NATO.

They got together, they realized it, and it's as if at the Vilnius meeting they said, okay we're going to bury Ukraine, this is a funeral for Ukraine, we know that we can't win, the only thing we want to do is.

If there are any tanks and weapons left, let's use them all up so that Europe will buy a huge bonanza for the American military industrial complex, Raytheon is

very happy.

But I think the message at Vilnius the associated meetings at the EU was, we're finished with Ukraine, we've done everything that we set out to do, we've bled Russia, great success as you pointed out elsewhere our real enemy now is China.

Now our center is really in the Pacific. Our center is in the China Sea. Specifically, let's make Taiwan the new Ukraine. Let's be willing to die for the last Taiwanese. Let's do to China what we've just so wonderfully done to NATO.

We've expended everything there, but while we've used our tanks and ammunition and armaments in the West now let's use up our navy, there's a huge market in building all the ships that a war with a provocation with China will do.

Let's send some of our ships that China will say well that's our own territory we're one country, let's shift to a naval war in the Pacific now, and that seems to be what they all decided on.

They don't want to talk about Ukraine anymore, it makes them unhappy. I mean for us it's saying, ha ha we told you all about it all along.

For them they say, well we did what we could.

And I think you're right about Poland. In Poland they're obsessed with the 15th century and the 16th century. When Poland had Lithuania, had many of the Baltic States, had Prussia. All of that. Had part of Ukraine.

They want to recover their lost glory and the leaders of Poland are exactly as you said, and I think NATO isn't really going to be a part of it, if Poland tries to

attack Belarus or even isolate Königsberg.

Somehow NATO's not going to get involved if Russia retaliates with a slam. You can just remember what happened in World War II to remember that.

I think what you've outlined, I think it's what NATO agrees with

RADHIKA DESAI: Well I mean let me complicate that a little bit, because the thing is that if there were to be any kind of Polish military action of the sort that you're discussing, it's going to actually divide NATO quite radically.

There'll be some powers who'll be saying, we have to back Poland. This is a fight. And all the rhetoric about freedom and democracy and so on will come out.

But the fact of the matter is beginning with the Germans and a whole lot of others, they're not going to support, as Michael you were just saying, they're not going to go along with that. So I think it's more complicated.

I think also that in terms of extending this to China I really think that military failure of the sort that we all agree the West is facing that NATO is facing is going to give people pause, first of all.

That is to say, can the United States really do, can it really hold up the military end, so to speak? And it can't. It spends more money on its military than the next however many states combined but still cannot produce weapons of the quantity and quality that even Ukraine needs, let alone the West as a whole will need if it goes to war with China.

So in a sense it's got an overpaid, pampered military industrial complex that cannot actually produce the weapons, so in that sense.

And earlier I said Biden didn't want to include Ukraine in NATO or not even give it a road map for electoral reasons, but I think there's also another reason.

They do not want a failed state in their ranks, because that's what Ukraine will become soon. So in that sense I would say that the possibility of extending the war to China is much less secure I think.

Also because, even the countries around China who the United States has been trying to divide from China for a long time, they continue to deepen their economic connections, trade relations, investment relations, etc with China. They're not going to go to war with China in any easy way.

They're going to be deeply divided just as the European leadership is divided.

In fact all of this kind of nicely segues into our next question, which is how much longer do you think Europe and other US allies sustain the appearance of unity?

Because we know that Europe is paying a big economic cost. The unity that is much doubted has also been a very selective sort of, convenient sort of, unity where every country has sent whatever is convenient for it rather than what is needed in Ukraine.

So how long do you think that even Europe can stay united, with the British pulling in one direction, the eastern states in another direction, Germany and France and Italy in yet another direction? How long can this unity be sustained?

MICHAEL HUDSON: I don't think it's a question of countries fighting each other. It's a question of the business interests fighting the political interests who basically are employees of the United States.

The question is, are international relations going to be determined by economic factors and mutual gains as we all believe with the materialist approach to history, or is it going to be completely non-economic factors, or, as Janet Yellen and her European counterpart said, all trade is risk.

Any trade with China or Russia or the Near East runs a risk of losing national security. Because if you trade with a country, you're dependent on them, and therefore you should break off the trade with China. You should break off the trade.

Well obviously, breaking off the trade with China and Russia has already led to the collapse of the German steel industry and the industries that use steel and the fertilizer industry and the glass making industry that uses gas.

So the real question is, are European politics going to be based on economic long-term self-interest as we all assumed was the guiding shape of geopolitical arrangements, or is it going to be rejecting your self-interest in terms of national security, meaning, trade with the United States establishes absolute dependence on the United States.

When Janet Yellen the US Secretary of the Treasury and [Von Leyen] you have to base all your trade on national security, that means all trade must be locking in your dependence on US exporters, US oil and gas exporters, now that we are your only suppliers of gas and oil. US farm exports. US computer information technology exports. US communications technology. Rejecting Huawei.

How is it that the European politics is not dominated by the business interests, but by American fantasy that even American interests are not based on the benefits of American computer chip exporters.

You've just had President Biden say we're going to have to give 30 billion dollars to support US chip modernization, but the chip companies are going to

have to lose one third of their total market which is China.

And the chip companies have said, wait a minute you're saying that we're going to lose our markets and you're going to try to make us grow again but without a market for our goods because our market is China.

Even the United States is turning away from its economic self-interest to this obsession with we must dominate other countries. This obsession of the neocon to control other countries.

I don't think something like this has really come across before and those of us who believe in the economic determination of history can't believe it's going to go on very long but here we are.

PEPE ESCOBAR: Just complementing what Michael said, it has to do with the astounding mediocrity of the current political elites in Europe.

This is something that, of course, we have these conversations here in Europe, but of course, totally off the record. And you never see a debate like that on the opinion pages of Le Monde or in any nightly newscast.

But German businesses, they are absolutely furious. And they said, look, there are already some sort of revolt that we need to get rid of this government as soon as possible. French interests, more or less the same thing.

When Macron went to visit China recently, the businessman with Macron said, we don't care what you discuss in terms of politics. We are here to do business with the Chinese, whatever you say.

And in fact, they clinched a lot of very juicy contracts while they were in Beijing.

The Italians, the same thing. The Italians are saying, are you nuts? You want to cut off the Italian partnership in the Belt and Road Initiative in Brie, which is a decision that they'll have to take until the end of the year, beginning of next year. This is absurd. They're going to invest in our ports. They're creating jobs here.

So, you know, there is a revolt in business circles. These are the three economists that really matter in Europe, Germany, France. Everybody else is an extra, you know.

So we can see maybe, I would say, medium to long term, a change in the horizon. Short term, I would say it's an absolute massive tactical victory by the Americans to cut off the EU, especially Germany, from Russia.

The problem is the people who actually know how business is done, businessmen and industrialists, now they're starting to get the full picture, not only for the next winter, but for the years ahead.

So the best we should all expect is a change in governments in these three countries that really matter.

In France, it's not going to happen because, as we know, Macron was recently reelected, even though his popularity is probably less than zero at the moment. There's no chance there's going to be a coup d'etat to get rid of le petit roi, the little king.

But French businessmen, they are as furious as their German counterparts. They say, so what do we got left? Are we going to transfer to the US? No. Are we going to transfer to Asia? Maybe.

And obviously, if that happens, the social situation inside France, which is already mega explosive, then it's going to be total combustion.

And in Germany, the deindustrialization of Germany now is a fact, and the numbers are absolutely horrifying. They basically deindustrialized this year over 30% compared to last year. This is beyond enormous and unimaginable until a few months ago, right?

And obviously, Eastern Europe doesn't count. In Eastern Europe, they have other ideas. Apart from the Poles, the Romanians soon are going to start saying, ah, we want to recover our lands that now are part of Ukraine.

And the Hungarians are going to say exactly the same thing.

So basically, there will be a giant partition of Western Ukraine with everybody jumping in. So the ramifications of all that are, in terms of political economy and in geopolitical terms, are absolutely horrifying.

And from the point of view of the average EU citizen, which is already being buried by taxes, the average French or Italian taxpayer basically pays 50% of what they earn in taxes. It's completely absurd.

They don't get much in return because the social security system in both countries and the other ones is also collapsing. So ends barely meet for most people.

They are starting to make the direct connection of throwing zillions of euros into Ukraine while the social situation inside the EU, as much as inside the US, as you know very well, is deteriorating very fast.

RADHIKA DESAI: And this is so true. And just to go back to something that Michael was saying, you know, Michael, you were talking about how those of us who think that economic interests should determine political and geopolitical actions and so on, that we are somehow being pushed to reassess the basis of the way we think.

But there's a way of thinking about it. If you think about this in terms of the longer history of imperialism, and I've always said that it's important to recognize that imperialism has been in decline since about 1914.

It's been a long one. It's been a slow one. Some of us can't wait for it to accelerate, but it has been in decline.

And it's come to the point where the very actions that are necessary to preserve the imperial system are in fact harming the very system on which it is based.

So when you have that sort of, the snake eating its own tail situation, that's when you begin to see that the contradictions of the system are mounting. And that's the position, that's the situation where we are at.

That what the United States needs to do in order to preserve and extend the imperial system and therefore the capitalist system itself is proving harmful to capitalism.

Now, what that means for the future is anybody's guess. Supposing, you know, we got the kind of government that, the regime change.

So if you got the kind of regime change that Pepe was mentioning and important European capitals, they will then have to go back to something like the approach that they were taking when Merkel made Germany dependent on Russia for its, you know, energy needs and so on and so forth.

You could have something like that.

But then what that has to do is we will see that the capitalist world is going to have to make terms with a world that is, you know, on the one hand socialist in the sense that China is socialist and other socialist powers.

And on the other hand, if not socialist, like Russia, at least not willing to be subordinated to capitalism and therefore to be, to follow neoliberal principles, because neoliberal principles are nothing but subordination to capitalism.

So in that sense, I think that we are looking at part of the reason why this situation looks as complex as it does is because of this very complicated situation of capitalism and imperialism today.

So maybe we have time to at least go into one further question. And that is really, again, this is about the very economic question.

But why do you think the Grain Deal broke down? What is the significance of the breakdown of the Grain Deal?

Because remember, of course, remembering that originally the Grain Deal, you know, the West made a lot of noise about how Ukraine feeds the world and blah blah and so on.

But in reality, the Grain Deal was arrived at in order that the big agribusinesses that are located in Ukraine will be able to export their grain and make a profit. That was the real reason for the Grain Deal.

Now, of course, President Putin has given his own reasons and he's actually given two sets of reasons. One is, you know, he's pointed out that the West did not keep its side of the deal.

But he also pointed out that the grain that was coming out of Ukraine was, in fact, not reaching the third world anyway.

PEPE ESCOBAR: Three percent of the grain was reaching poor countries in Africa. You know what? They were discussing this this morning at a Valdai Club

session this morning, previous to the Russia-Africa Summit that starts on Thursday.

They were discussing that and they got into detail and they said the Russians were the only ones who actually exposed to the rest of the world a fiction.

Over 40 percent was going to rich EU nations, not the poor EU nations. That's number one.

Number two, they were using the fact that Odessa port was the center to stockpile weapons in Odessa. Why the Russians are bombing Odessa since the beginning of this week? Because they are bombing exactly this as a stockpiling of weapons.

And number three, they were organizing ways of using the corridors of the Grain Deal to attack the Black Sea fleet and especially Crimea. There you go. Michael, it's all yours.

MICHAEL HUDSON: Now that you said the whole point, what you said is exactly right.

The grain that Russia had said, we're producing the grain. We want to use this grain to give to the African countries to consolidate our linkage between Russia, China and the BRICS and the global south, specifically of Africa.

Obviously for them, just as when they built the Aswan Dam in Egypt, for them trade and support was a means of creating national alliances and Europe prevented that.

And as you pointed out, the big agricultural agribusiness companies wanted to make money for the same reason that Willie Sutton said, why do you rob banks? Because that's where the money is.

So of course they wanted to get paid by Europe instead of giving their product away for free. There's no percentage of zero that you can really get out of this.

And as you pointed out, Ukraine was trying to use this ostensibly humanitarian grain trade to stockpile weapons and use that sea transport as a means of, how do you attack Crimea? By the sea. That's how they used a sea torpedo to blow up the bridge to Crimea.

So you're having exactly this. Russia has decided to demilitarize the Black Sea. Putin has said that if there's any foreign ship that is not with Russian permission in the Black Sea, that would be treated as an enemy because who else would possibly go to the Black Sea?

There are not going to be insurance companies that are going to guarantee the safety of shipping in a military war zone. So without getting insurance for your sea transport, how are you going to transport grain? That in itself has stopped it.

And Putin had just listed a whole series of criteria that would be necessary for the grain deal to resume.

And that included stopping the EU sanctions against the Russian banks that have to finance the grain deal, stopping all sorts of attacks on Russia, sort of using the grain transport path as a means of actually putting a warship in there to attack Russia.

Essentially, Russia said, you'll have to demilitarize the Black Sea if you want peaceful grain commerce across the Black Sea.

The US is completely unwilling to do that. Congress will never go along with that. So essentially, the United States has blocked the grain deal.

And it's using its propaganda in Africa to say, oh, look, Russia is blocking it. That's why you're not being fed with the grain.

Who are you going to believe, the Russian reality or the American cover story? That's what's being fought out in Africa right now.

And Africa is becoming actually one of the great battlefields in this split between the unipolar US order and the emerging global majority order. And grain is the basis of this.

The foundation of American trade policy since 1945 has been to prevent other countries from growing their own food.

All of the World Bank loans to third world countries in the 50s, 60s and 70s have been for exporting plantation crops and for the US State Department opposing family-based farming to promote plantation crops, especially on lands owned by American exporting interests.

The issue is the whole structure of African and Southern Hemisphere land tenure and whether they're going to aim at feeding themselves just as the Europeans have fed themselves.

And the issue that you didn't mention with the grain deal was Ukraine says, all right, let's try to export our grain by rail to Europe.

Well, the center of European foreign policy, the most important economic aim of creating the common market in the first place was the common agricultural policy to protect French and German and other agriculture.

And the last thing they want is for their farmers to be undersold with cheap Ukrainian grain that will hurt their economic interests. And so they're

European farmers and they have the agricultural policy that is blocking the shipment of Ukrainian grain through Europe.

But apart from the fact that all of the storage facilities, the silos for grain are already being used for European farm grain, there's nowhere to put that Ukrainian grain. The problem is insolvable from that point of view.

RADHIKA DESAI: Yeah, that's so true and important, Michael, that you sort of have broadened the picture to put the issue of the grain deal in the larger picture of imperialism and the way it has always operated.

Because all the first world countries, the imperialist countries themselves actually pursue a very strict food security policy.

Meanwhile, they tell third world countries, oh, you shouldn't worry about food security. You should, as Michael rightly points out, produce the export crops. What are export crops? They are crops that the first world wants.

Why should third world countries produce export crops? Because they exist as far as the third world, as far as first world countries are concerned, to supply cheap things that the West, which is largely non-tropical, cannot produce.

So the third world is supposed to supply us with all those tropical fruits, vegetables, tobacco, cocoa, coffee, tea, whatever it is.

And what's really also interesting is, you know, people always think of the third world as being unable to feed itself. In reality, there are actually relatively few third world countries that have fallen for the definitely the very real inducements of the United States to not worry about food security.

And besides, they are not rich enough to import a lot of food. So the extent of food dependence of first world countries is actually much greater.

We import a lot more of our food than the average third world country and certainly big third world countries.

And what that food export also does is it keeps inflation low. We are able to, in first world countries, buy things for next to nothing. And this is a big factor in keeping inflation low.

So, yeah, I think this is very important to put the grain deal in the larger picture of imperialism.

Now, I should say we are near to an hour in this show and we still have several questions to discuss. So what I propose is that next week we will come back and discuss the same issue and complete the number of various questions that we were discussing.

So until next week, then we will have when we'll have the second part of this program on NATO. Thanks, everyone, for watching. Thanks to Pepe for being our guest.

He will be back next week. And, of course, thanks also to Paul Graham, who's a videographer and all the others who support our show. Thank you very much. And till next time.

MICHAEL HUDSON: If there is a next week.

Watch part 2 of this discussion with one of my favourite analysts, Pepe Escobar.